海吉亚医疗控股有限公司
Hygeia Healthcare Holdings Co., Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6078

Interim Report
2021

CONTENTS

Corporate Information

DIRECTORS

Executive Directors

Mr. Zhu Yiwen
(Chairman and Chief Executive Officer)(Note)
Ms. Cheng Huanhuan
Mr. Ren Ai
Mr. Zhang Wenshan
Ms. Jiang Hui

Non-executive Director

Mr. Fang Min

Independent non-executive Directors

Mr. Liu Yanqun
Mr. Chen Penghui
Mr. Ye Changqing

AUDIT COMMITTEE

Mr. Ye Changqing *(Chairman)*
Mr. Fang Min
Mr. Liu Yanqun

REMUNERATION COMMITTEE

Mr. Chen Penghui *(Chairman)*
Mr. Ren Ai
Mr. Liu Yanqun

NOMINATION COMMITTEE

Mr. Liu Yanqun *(Chairman)*
Mr. Ren Ai
Mr. Chen Penghui

JOINT COMPANY SECRETARIES

Mr. Ren Ai
Mr. Lau Kwok Yin

AUTHORISED REPRESENTATIVES

Mr. Ren Ai
Mr. Lau Kwok Yin

REGISTERED OFFICE

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Cayman Islands

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Note: Mr. Zhu Yiwen was appointed as the Chairman of the Board on July 6, 2021 and redesignated as executive Director and the Chief Executive Officer on August 23, 2021.

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Harneys Fiduciary (Cayman) Limited
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Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

China Merchants Bank Co., Ltd.
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the PRC

Bank of Communications Co., Ltd.
Shanghai Jinshan Sub-branch
No. 68 West Weiqing Road
Jinshan District, Shanghai
the PRC

Bank of China Limited
Shanghai Hanzhong Road Sub-branch
No. 218 Hengfeng Road
Jing'an District, Shanghai
the PRC

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
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HONG KONG LEGAL ADVISOR

Fangda Partners
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8 Connaught Place
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COMPLIANCE ADVISOR

Orient Capital (Hong Kong) Limited
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Central,
Hong Kong

STOCK CODE

6078

COMPANY'S WEBSITE

www.hygeia-group.com.cn

Financial Highlights

	Unaudited Six months ended June 30, 2021 RMB'000	2020 RMB'000	Percentage of Change
Operating Results			
Revenue	**931,701**	632,260	47.4
Gross profit	**314,977**	216,290	45.6
Operating profit	**262,150**	81,065	223.4
Profit before income tax	**258,363**	33,165	679.0
Net profit	**205,151**	2,356	8,607.6
Non-IFRS adjusted net profit (1)	**205,160**	133,956	53.2
Basic earnings per share (in RMB)	**0.32**	0.01	3,100.0
Profitability			
Gross profit margin	**33.8%**	34.2%	
Non-IFRS adjusted net profit margin (2)	**22.0%**	21.2%	

Notes:

(1) Adjustments to net profit for the six months ended 30 June, 2021 include: (i) share-based compensation expenses of approximately RMB9,000. Adjustments to net profit for the six months ended June 30, 2020 include: (i) impact of the deferral of the redemption date of redeemable Shares of approximately RMB57,852,000; (ii) interest expenses of redeemable Shares of approximately RMB48,029,000; (iii) Listing expenses (after tax) of approximately RMB21,656,000; and (iv) share-based compensation expenses of approximately RMB4,063,000.

(2) Non-IFRS adjusted net profit margin is calculated based on non-IFRS adjusted net profit divided by revenue.

	Unaudited As of June 30, 2021 *(RMB'000)*	Audited As of December 31, 2020 *(RMB'000)*	Percentage of change
Financial Position			
Total current assets	**2,211,989**	2,922,341	(24.3)
Total non-current assets	**4,002,447**	1,778,964	125.0
Total current liabilities	**634,927**	280,952	126.0
Total non-current liabilities	**1,103,479**	78,976	1,297.2
Total equity	**4,476,030**	4,341,377	3.1

Corporate Profile

As an oncology-focused healthcare group, we endeavor to make healthcare services more accessible and affordable (讓醫療更溫暖), addressing unmet demand of oncology patients in China.

Since we started our business in 2009, we have built a nationwide footprint of oncology-focused hospitals and radiotherapy centers through a combination of organic growth, strategic acquisitions and cooperation with hospital partners. As of June 30, 2021, we operated or managed a network of 11 oncology-focused hospitals through our direct equity ownership in nine private for-profit hospitals and management rights in two private not-for-profit hospitals, with these in-network hospitals spanning across seven cities in six provinces in China. In addition, we are currently providing services to 18 hospital partners in connection with their radiotherapy centers, which were located in 10 provinces in China. We believe our nationwide footprint has enabled us to benefit from network effects and synergies and achieve economies of scale, which has laid a solid foundation for our sustainable and profitable growth and future expansion into new geographic markets.

We generate revenue primarily from three parts: (i) operating private for-profit hospitals we own and providing a wide range of oncology healthcare services and other healthcare services; (ii) provision of radiotherapy center consulting services, licensing of our proprietary SRT equipment and provision of maintenance and technical support services in relation to our proprietary SRT equipment; and (iii) managing and operating, and receiving management fees from, private not-for-profit hospitals in which we hold organizer's interest (舉辦人權益).

We are committed to providing one-stop comprehensive treatment services for oncology patients in non-first-tier cities. There is a big gap in oncology healthcare services in China. The five-year survival rate of cancer patients, the penetration rate of radiotherapy and the number of radiotherapy equipment per million people in China are far lower than those in the United States. There is a huge demand for oncology treatment in non-first-tier cities in China, but high-quality oncology treatment resources are mainly concentrated in first-tier cities. We believe that with our leading position in the market, we can seize the significant opportunities in the underserved market.

We adhere to the development of one-stop comprehensive oncology diagnosis and treatment services, and carry out multi-disciplinary medical services centered around the core oncology business. Specifically, we provide various oncology healthcare services including radiotherapy, chemotherapy, surgery, and targeted therapy, and gradually cover cancer diagnosis, treatment, and rehabilitation, to provide full life cycle diagnosis and treatment services for oncology patients.

We expand our nationwide network through standardized management models and matrix management systems. The standardized management model supports endogenous growth, and the process from hospital construction, operation to profitability is fast. The standardized management model also supports extended growth, and the Group's strong integration capabilities have led to rapid growth in performance.

We are committed to cultivating a high-level, multi-disciplinary team of medical professionals. We continue to enrich our team through internal training and external recruitment. In addition, we also provide patients with second opinions on diagnosis and treatment plans through multi-sited practice for external experts and cooperation with top overseas medical institutions, so that we can treat cancer and other intractable diseases in a variety of ways.

The Group has maintained an on-going focus on patients to make healthcare services more accessible and affordable, and endeavored to create long-term value through strengthening brand building. We leverage interaction among healthcare, education and scientific research to step up discipline construction, constantly improve academic and scientific research capacity through active involvement in medical research projects, and fulfill our social responsibilities by providing free clinics and lending a helping hand to impoverished patients, striving to better meet the growing needs of oncology patients.

Management Discussion and Analysis

BUSINESS REVIEW

The Group has always adhered to development strategies that are oncology-focused and it is committed to continuously expand its scale of business in (i) operating for-profit hospitals, (ii) providing Radiotherapy Center Services, and (iii) managing private not-for-profit hospitals in which the Group holds organizer's interest. As of June 30, 2021, the Group (i) owned and operated 9 private for-profit hospitals; (ii) managed 2 private not-for-profit hospitals; and (iii) provided services to 18 hospital partners for their radiotherapy centers.

The Group is devoted to providing high-quality medical services to all patients and prioritizes improving patient satisfaction. During the Reporting Period, the number of patient visits of the Group continued to increase, and the average spending per outpatient and inpatient visit steadily increased, which enabled the Group to maintain its growth momentum in the first half of 2021 and yielded strong revenue growth. For the six months ended June 30, 2021, the Group's revenue was RMB931.7 million, representing an increase of 47.4% over the same period last year. The following table sets forth a breakdown of revenue of the Group by service offerings for the periods indicated:

	Unaudited Six months ended June 30,			
	2021		2020	
	(RMB'000)	% of revenue	(RMB'000)	% of revenue
Hospital business				
– Outpatient healthcare services	**271,896**	**29.2**	159,584	25.2
– Inpatient healthcare services	**578,892**	**62.1**	396,268	62.7
Sub-total	**850,788**	**91.3**	555,852	87.9
Third-party radiotherapy business				
– Radiotherapy center consulting services	**26,061**	**2.8**	23,583	3.7
– Radiotherapy equipment licensing	**29,793**	**3.2**	26,600	4.2
– Radiotherapy equipment maintenance services	**21,143**	**2.3**	22,714	3.6
Sub-total	**76,997**	**8.3**	72,897	11.5
Hospital management business	**3,916**	**0.4**	3,511	0.6
Total	**931,701**	**100.0**	632,260	100.0

Hospital Business

For the six months ended June 30, 2021, the Group's revenue from its hospital business was RMB850.8 million, representing an increase of 53.0% over the same period last year. The Group's revenue from its hospital business was composed of revenue from its outpatient healthcare services, which generated RMB271.9 million for the six months ended June 30, 2021, representing an increase of 70.4% compared to the same period last year, and revenue from inpatient healthcare services, which generated RMB578.9 million for the six months ended June 30, 2021, representing an increase of 46.1% over the same period last year.

For the six months ended June 30, 2021, the number of inpatient visits was 43,833, representing an increase of 44.3% over the same period last year. The number of outpatient visits was 705,944, representing an increase of 68.8% over the same period last year. In the first half of 2021, the average spending per inpatient visit was RMB13,207, representing an increase of 1.3% over the same period last year. The average spending per outpatient visit was RMB385, representing an increase of 0.8% over the same period last year. As of June 30, 2021, the Group operated or managed a network of 11 oncology-focused hospitals, covering 7 cities in 6 provinces in China.

	Unaudited Six months ended June 30,	
	2021	2020
Inpatient healthcare services		
Number of inpatient visits	**43,833**	30,382
Average spending per inpatient visit (RMB)	**13,207**	13,043
Outpatient healthcare services		
Number of outpatient visits	**705,944**	418,226
Average spending per outpatient visit (RMB)	**385**	382

Third-party Radiotherapy Business

The Group adheres to the development strategy of exploring cooperation opportunities to provide Radiotherapy Center Services in selected new markets and gradually expanding the Group's radiotherapy center network across China. For the six months ended June 30, 2021, the Group's revenue from third-party radiotherapy business was RMB77.0 million, representing an increase of 5.6% from the same period last year. The Group has provided Radiotherapy Center Services to 18 hospital partners (including hospitals in which the Group holds organizer's interest) in 10 provinces in China.

As of June 30, 2021, the Group has signed radiotherapy center cooperation agreements with 26 third-party hospital partners spanning across 14 provinces in China. The Group believes that it will further increase the Group's revenue from third-party radiotherapy business.

Hospital Management Business

The Group manages, operates and receives management fees from two private not-for-profit hospitals in which the Group holds organizer's interest.

According to the hospital management agreements, the Group has the right to charge a management fee calculated at a fixed percentage of revenue of the Managed Hospitals for a period of 40 years. For the six months ended June 30, 2021, the revenue from management business was RMB3.9 million, representing an increase of 11.4% over the same period last year.

On April 16, 2021, the Group entered into the joint venture agreement in respect of the formation of a joint venture in relation to the for-profit reform of Kaiyuan Jiehua Hospital. Officially incorporated on May 31, 2021, Kaiyuan Jiehua Hospital Co., Ltd. holds a valid practice license for for-profit hospitals as medical institutions and has begun to operate the for-profit hospital.

Oncology-related Business

The Group regards the development of its oncology-related business as its core strategy. The Group mainly focuses on developing its oncology-related business in non-first-tier cities and is committed to providing oncology patients with one-stop comprehensive treatment services. The oncology-related services of the Group comprise: (i) provision of multi-disciplinary oncology healthcare services in the Group's self-owned hospitals, including services covering the whole life cycle of oncology patients such as tumor screening and genetic diagnosis, radiotherapy, surgery, chemotherapy, immunotherapy, targeted therapy, oncology rehabilitation, nutrition and hospice care; and (ii) services under the third-party radiotherapy business, including providing radiotherapy center consulting and technical services, licensing of the proprietary SRT equipment and provision of maintenance and technical support services in relation to the proprietary SRT equipment.

In the first half of 2021, revenue from the Group's oncology-related business increased by 49.7% from RMB298.5 million in the first half of 2020 to RMB446.9 million, and accounts for approximately 48.0% of the consolidated revenue of the Group. Among the revenue from the Group's oncology-related business, revenue from radiotherapy-related businesses was RMB143.6 million, representing an increase of 6.5% over the same period last year, and revenue from other oncology healthcare services was RMB303.4 million, representing an increase of 85.2% over the same period last year.

The following table sets forth the revenue from oncology and non-oncology businesses of the Group for the periods indicated:

	Unaudited Six months ended June 30,			
	2021		2020	
	(RMB'000)	**% of total revenue**	(RMB'000)	% of total revenue
Radiotherapy treatment business provided by self-owned hospitals	**66,558**	**7.1**	61,879	9.8
Third-party radiotherapy business	**76,997**	**8.3**	72,897	11.5
Radiotherapy treatment business	**143,555**	**15.4**	134,776	21.3
Other oncology healthcare services	**303,383**	**32.6**	163,770	25.9
Revenue from oncology business	**446,938**	**48.0**	298,546	47.2
Revenue from non-oncology business	**484,763**	**52.0**	333,714	52.8
Total	**931,701**	**100.0**	632,260	100.0

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of gross profit and gross profit margin of the Group by service offerings for the periods indicated:

	Unaudited Six months ended June 30,			
	2021		2020	
	Gross profit (RMB'000)	**Gross profit margin**	Gross profit (RMB'000)	Gross profit margin
Hospital business	**262,599**	**30.9%**	166,717	30.0%
Third-party radiotherapy business	**49,504**	**64.3%**	47,093	64.6%
Hospital management business	**2,874**	**73.4%**	2,480	70.6%
Total	**314,977**	**33.8%**	216,290	34.2%

The gross profit of the hospital business was RMB262.6 million for the six months ended June 30, 2021, representing an increase of 57.5% over the same period in 2020, and the gross profit margin was 30.9%, representing an increase of 0.9% over the same period last year. The gross profit of the Group was RMB315.0 million for the six months ended June 30, 2021, representing an increase of 45.6% over the same period in 2020, and the gross profit margin decreased by 0.4% to 33.8% from 34.2% in the same period last year.

Business Update

1. Focusing on the Core Oncology-related Business to Enhance the Competitiveness of Oncology Diagnosis and Treatment Services and Strengthen the Oncology Service Brand

In the first half of 2021, the Group continued to increase its investment in resources for its core oncology-related business to upgrade its service capabilities and treatment methods, in an ongoing effort to provide one-stop medical services covering the whole treatment cycle for oncology patients.

The Group introduced internationally leading high-end imaging equipment to provide doctors with more accurate imaging data, which lays a solid foundation for the diagnosis of and treatment plan design for its oncology patients. Shanxian Hygeia Hospital has put Philips Ingenia 3.0T Full Digital MRI System and Philips Brilliance iCT 256 Slice Spiral CT Scanner into use; Longyan Boai Hospital newly introduced Philips Incisive 128 Slice Aurora CT scanner and Prodiva 1.5T MRI system; Chengwu Hygeia Hospital introduced Philips Multiva 1.5T MRI system; Suzhou Yongding Hospital newly purchased Philips IQon Spectral CT scanner, and Ingenia 3.0T Full Digital MRI system; and Liaocheng Hygeia Hospital plans to introduce Philips 256 Slice Brilliance iCT and Prodiva 1.5T MRI system. These high-end imaging equipment will provide a strong guarantee for a timely and accurate screening and clinical diagnosis of tumor-related diseases.

The Group enriched its oncology-related treatment methods and techniques to enhance the competitiveness of the Group's hospitals in the field of local tumor treatments. Chongqing Hygeia Hospital purchased an additional Elekta VMAT treatment system and Sun Nuclear 3D water tank; Suzhou Canglang Hospital introduced a tumor radiofrequency hyperthermia machine; Suzhou Yongding Hospital introduced the Philips EPIQ7 and EPIQ5 color Doppler ultrasound systems, Azurion 7 M20 digital subtraction angiography machine (for tumor interventional therapy) and Siemens Cios Select S1 mobile C-arm X-ray machine; and Liaocheng Hygeia Hospital introduced the Elekta Infinity linear accelerator, Philips Azurion 3 M15 medical angiography X-ray system, EPIQ7 and EPIQ5 color Doppler ultrasound systems, Olympus CV-290 electronic gastrointestinal endoscopy system and the OTV-S190 electronic laparoscope system, etc. These devices will assist the hospitals in developing new tumor treatment techniques and methods, improve the diagnosis and treatment capabilities and technical capacity of the hospitals, which allows the Group to better meet the growing needs of oncology patients.

The Group managed to efficiently allocate medical resources by promoting the construction of Internet hospitals and taking advantage of management and technological innovation. As of June 30, 2021, Suzhou Yongding Hospital had obtained the Internet hospital licence and Chongqing Hygeia Hospital has applied for the Internet hospital licence. Internet hospitals can further improve the medical service capacity of the Group's hospitals by serving a wider range of patients and attending to the medical needs of more oncology patients.

The Group always upholds the service concept of "making healthcare services more accessible and affordable", and strives to improve patient satisfaction and brand influence through humanized services. Specifically, we provide full treatment-cycle medical services covering tumor screening, diagnosis, treatment, rehabilitation and hospice care and strengthen the chronic disease management of oncology patients to meet the growing needs of them.

2. Expanding the Group's Medical Service Network and Space Through Endogenous Growth

A development strategy and unique advantage of the Group is self-established hospitals. The Group has always been committed to making healthcare services more accessible and affordable to meet the growing needs of oncology patients.

Progress of Phase II Projects of Existing Hospitals

The Phase II project of Chongqing Hygeia Hospital commenced construction in the second half of 2020 and is now under construction in an orderly manner. The Phase II project is designed to have a GFA of approximately 72,000 square meters and accommodate 800 to 1,000 beds, and construction is planned to be completed by the end of 2022.

The Phase II project of Shanxian Hygeia Hospital is in the process of applying for a construction project planning permit and is expected to obtain the construction permit in the second half of 2021. The Phase II project is designed to have a GFA of approximately 50,000 square meters and accommodate 500 beds, and construction is scheduled to be completed by the end of 2022.

In May 2021, the Group successfully acquired a land parcel with an area of approximately 22 mu in Chengwu County, Heze, which signifies the Phase II project of Chengwu Hygeia Hospital enters into construction preparation stage. The Phase II project of Chengwu Hygeia Hospital can accommodate 350 beds and is expected to be completed, pass acceptance inspection and be put into operation in 2023.

After the completion of the Phase II projects of the Group's existing hospitals, the Group's overall oncology medical service capacity and brand influence will further improve to meet the growing medical needs of local oncology patients.

Progress of Hospitals under Construction

In June 2020, Liaocheng Hygeia Hospital started construction, and in May 2021, the construction of the main structure of the Liaocheng Hygeia Hospital was completed. The Phase I project of Liaocheng Hygeia Hospital has a GFA of approximately 87,000 square meters and accommodates 800 to 1,000 beds, and is expected to commence operation by the end of 2021. Once it is put into operation, the Group believes that it will further expand the Group's oncology service footprint and increase the Group's revenue.

Dezhou Hygeia Hospital has obtained a construction project planning permit and plans to commence construction by the end of 2021. Dezhou Hygeia Hospital will be a Class III hospital as planned with a GFA of approximately 45,000 square meters and accommodate 500 beds after completing Phase I. Dezhou Hygeia Hospital is expected to commence operation in 2023. After the completion and opening of Dezhou Hygeia Hospital, the Group will have a larger market share and better geographical advantages in Shandong Province and a greater service coverage in its surrounding areas, which lays a solid foundation for building a three-tier hospital network in Shandong Province.

In May 2021, the Group successfully acquired a land parcel with an area of approximately 82 mu in Binhu District, Wuxi through bidding, which signifies Wuxi Hygeia Hospital enters into construction preparation stage. Wuxi Hygeia Hospital is planned to be a Class III hospital and is expected to commence operation by the end of 2023. Once it is put into operation, Wuxi Hygeia Hospital will further meet the medical needs of people in Wuxi and its surrounding areas, and enhance the Group's brand influence in the Yangtze River Delta region.

Newly Signed Investment Intention Agreements on Hospital Construction

In April 2021, the Group signed an investment intention agreement on hospital construction with the relevant authorities of Longyan Economic and Technological Development Zone. Longyan Hygeia Hospital is planned to be a Class III general hospital with oncology specialties, and will have a total GFA of approximately 80,000–100,000 square meters and accommodate between 800–1,000 beds. Construction of Longyan Hygeia Hospital is expected to be completed in 2024. Once it commences operation, Longyan Hygeia Hospital will increase the supply of medical services in Longyan Economic and Technological Development Zone and even Longyan as a whole to meet the growing needs of local oncology patients. Longyan Hygeia Hospital will cooperate with Longyan Boai Hospital to improve the brand influence and market share of the Group in Longyan City and Fujian Province.

In May 2021, the Group signed an investment intention agreement on hospital construction with the relevant authorities of Changshu High-tech Zone. The hospital is planned to be a Class III general hospital with oncology specialties, and will have a GFA of 80,000–120,000 square meters and accommodate between 800-1,200 beds, and construction is expected to be completed in 2024. Through this project, the Group strives to provide better medical services to the residents of Changshu and its surrounding cities, and lays a foundation for the Group to build a three-tier hospital network in the Yangtze River Delta region.

In June 2021, the Group signed an investment intention agreement on hospital construction with the relevant authorities in Anyang, Henan Province, pursuant to which the Group plans to build a Class III general hospital with oncology specialties. The hospital will have a GFA of approximately 80,000–100,000 square meters and accommodate between 800–1,000 beds, and construction is expected to be completed in 2024. The signing of the agreement is a prelude to the Group's entry into the Central Plains market.

With the aforementioned plans, the Group is accelerating its nationwide expansion of its oncology-related business to meet the growing demand of China's oncology medical service market.

3. Expanding the Group's Medical Service Network and Business Scale Through Acquisitions

On April 25, 2021, the Group announced the acquisition of all equity interests in Etern Group Ltd. which indirectly holds 98% equity interests in Suzhou Yongding Hospital. The deal was completed on April 28, 2021. Suzhou Yongding Hospital is located in the core area of Yangtze River Delta region which has a developed economy and a continuous population inflow. As the local supply of oncology medical services in Suzhou, especially radiotherapy, is insufficient, there is a big gap between supply and demand in the field of oncology medical services. This acquisition is in line with the development strategy of the Group. Suzhou Yongding Hospital is a Class II general hospital which has operated for many years with certain oncology basis, and has a considerable influence in Suzhou. With sufficient space to accommodate more than 1,000 beds, the hospital has the potential to be upgraded to a Class III hospital in the future and develop multidisciplinary tumor diagnosis and treatment services such as radiotherapy services. After the acquisition, the Group will integrate the resources of Suzhou Canglang Hospital and Suzhou Yongding Hospital to strengthen the construction of the Group's dominant discipline–oncology in Suzhou, and strive to build Suzhou Yongding Hospital into a general hospital with oncology specialties in the Yangtze River Delta region. The acquisition of Suzhou Yongding Hospital will further expand the Group's medical service network, which is of great significance and value for increasing the Group's revenue from oncology medical services and expanding its market share of oncology medical services. The acquisition will enable the Group to increase the market share of its medical services in the Yangtze River Delta region and extend its market influence to the surrounding areas, thus laying a solid foundation for the Group to build a three-tier diagnosis and treatment network in the Yangtze River Delta region.

On May 26, 2021, the Group announced the acquisition of 99% equity interest in Hezhou Guangji Hospital in Guangxi Zhuang Autonomous Region, which was completed in July 2021. Hezhou is located at the junction of Guangxi Zhuang Autonomous Region, Guangdong Province and Hunan Province, which could cover a large population in the surrounding area. There is a large demand for oncology treatment, especially radiotherapy, in Guangdong Province and Guangxi Zhuang Autonomous Region. These two regions have high incidences of nasopharyngeal carcinoma, and radiotherapy is the main treatment for it. The oncology treatment services, especially radiotherapy, are relatively insufficient in Hezhou and its surrounding areas, so building presence there is in line with the Group's development strategy. Hezhou Guangji Hospital is a private for-profit Class III general hospital. After 70 years of development, it has built up a profound culture and great market influence, and cultivated an experienced and high-caliber professional medical team. Hezhou Guangji Hospital has sufficient land resources for further construction. After the acquisition, the Group will strengthen the oncology-related business of Hezhou Guangji Hospital and endeavor to build Hezhou Guangji Hospital into a Class III-A general hospital with oncology specialties, so as to meet the growing needs of local oncology patients. The Group will also tap the potential of Hezhou Guangji Hospital to further develop business in Guangxi Zhuang Autonomous Region and even in South China region.

STRENGTHENING THE INTRODUCTION AND INTERNAL TRAINING OF ONCOLOGY PROFESSIONALS

As at June 30, 2021, the Group had a total of 3,404 medical professionals, representing an increase of 844 from December 31, 2020. Among the medical professionals, there were 427 chief physicians and associate chief physicians, representing an increase of 128 from December 31, 2020. From January to June 2021, a total of 62 physicians were promoted to professional titles one level higher. The Group will continue to train and recruit experienced medical professionals.

Since its establishment, Hygeia Healthcare Teaching and Researching Institute has been practicing the talent-oriented principle and the concept of scientific management. In the first half of 2021, an aggregate of 12 training sessions were held with a total attendance of over 1,000 people. Hygeia Healthcare Teaching and Researching Institute cultivates high-quality and capable key personnel for the Group and continuously delivers high-quality medical elites and compound talents to its hospitals, thereby promoting the development of medical services of the Group's hospitals.

IMPROVE ACADEMIC AND SCIENTIFIC RESEARCH CAPABILITIES

As a healthcare service institution featuring oncology, the Group also focuses on the fields of academic and scientific research. In the first half of 2021, the Group's hospitals published a total of 31 papers, including 19 in national journals and 12 in provincial journals.

Chongqing Hygeia Hospital was selected into the list of Chongqing key laboratories newly accredited by Chongqing Science and Technology Bureau. Chongqing key laboratories are important scientific and technological innovation bases to conduct high-level basic research, applied basic research and cutting-edge technology research, to gather and foster outstanding scientific and technological talents, and to carry out high-level academic exchanges and share scientific and technological resources. The accreditation can help further improve the overall academic level of Chongqing Hygeia Hospital and the Group.

In June 2021, Chongqing Hygeia Hospital and the Bioengineering College of Chongqing University prepared to jointly build a bioengineering teaching practice base. The joint establishment of a teaching practice base will combine clinics with cutting-edge bioengineering technologies and increase the conversion of scientific research achievements, thus promoting the development of relevant disciplines. Chongqing Hygeia Hospital will also explore further cooperation with the Bioengineering College of Chongqing University on the upstream and downstream sectors of hospitals to strengthen industry-academia-research cooperation.

In June 2021, Suzhou Yongding Hospital established the Department of Precision Diagnosis and Treatment for Gastrointestinal Tumors, which can not only provide precision treatment for patients with gastrointestinal diseases in Wujiang District and Suzhou as a whole, but also improve the academic level of the professional team in the treatment of gastrointestinal tumors.

In June 2021, Shanxian Hygeia Hospital successfully held a licensing ceremony for its provincial stroke center. The licensing marks a great progress made by Shanxian Hygeia Hospital in stroke prevention and control, and will help speed up the construction of Shanxian County's stroke prevention and control system and expand the coverage of the hospital's healthcare services in Southwest Shandong. It is also of great significance to improve stroke prevention and control in this region.

In order to improve the overall level of diagnosis and treatment, the Group's hospitals invited well-known experts at home and abroad to conduct case studies, special lectures and other activities, which not only allowed patients to enjoy top healthcare resources at home and abroad, but also provided good learning opportunities for the Group's doctors to further improve their accurate diagnosis and treatment capabilities.

The Group constantly improves its scientific research capabilities to better serve patients.

SOCIAL RESPONSIBILITY AND HONORS

In January 2021, Chongqing Hygeia Hospital won the Specialty Development Demonstration Award for the Health Sector under the "13th Five-Year Plan" in Chongqing. Its Phase II project has been included in the "14th Five-Year Plan" of the Administrative Committee of Chongqing High-tech Industrial Development Zone, and the hospital was selected as a designated foreign-related hospital in Chongqing. In addition, Chongqing Hygeia Hospital has become the only private hospital among the designated hospitals covered by Chongqing's critical illness relief funds. The hospital will provide medical assistance to patients with critical illnesses who seek medical treatment in hospitals in Chongqing, so as to reduce the phenomenon of patients returning to poverty and getting poor because of illness.

Suzhou Canglang Hospital has become a medical relief institution designed by the Association of Cancer Rehabilitation in Wuzhong District, Suzhou. The hospital works closely with the association to promote tumor prevention and treatment and provide targeted education for oncology patients. Suzhou Canglang Hospital was also awarded the honorary title of "2020 Outstanding Contribution Enterprise" by the CPC Committee of Gusu District, Suzhou and the Government of Gusu District, Suzhou. The hospital will cherish the honor, establish a role model corporate image, and continue to improve its services.

Chengwu Hygeia Hospital received the "Heze May 1st Labor Award" from Heze Federation of Trade Unions, which shows that Chengwu Hygeia Hospital has been well recognized by the society in terms of hospital development, social contribution and cultural construction.

Heze Hygeia Hospital won the honorary title of “Advanced Unit of Epidemic Prevention and Control in 2020”. All employees of Heze Hygeia Hospital strictly abided by the epidemic prevention and control requirements of the central and local governments, and steadily improved the quality of medical services under the normalization of COVID-19 prevention and control.

The above honors represent the government and the public’s recognition to the Group and its hospitals in practicing social responsibility.

IMPLEMENTING EPIDEMIC PREVENTION AND CONTROL MEASURES TO ENSURE THE EFFECTIVE OPERATION OF HOSPITALS

Since the COVID-19 outbreak, the Group and its hospitals have been strictly complying with the national and local requirements for epidemic prevention and control to scientifically carry out medical activities and anti-COVID-19 measures in a coordinated manner. The Group has taken the following measures to ensure the smooth operation of all its hospitals under the normalization of COVID-19 and to guarantee that the medical needs of the public are met:

(1) To practice the service philosophy of “making healthcare services more accessible and affordable”, all employees stuck to their posts, and insisted on placing satisfaction a priority and serving patients wholeheartedly;

(2) Many hospitals of the Group actively provided online consultation, diagnosis and treatment services in order to deliver more convenient and considerate medical services to patients;

(3) The Group complied with the COVID-19 safety and prevention guidelines issued by the national and local health administrative authorities and strictly implemented epidemic prevention and control measures; and inspected the implementation of epidemic prevention and control measures by its hospitals from time to time to ensure that anti-COVID-19 measures are well in place; and

(4) The Group undertook and carried out a series of services including nucleic acid testing and vaccination to provide safety support for the normal work and life of the masses.

BUSINESS PROSPECTS

With the rapidly aging Chinese population and the rising incidence rate of tumor, the demand for cancer healthcare services in the Chinese market is growing. According to Frost & Sullivan’s analysis, the revenue of the entire cancer medical service market will reach RMB700 billion in 2025, representing a CAGR of approximately 11.4% from 2021 to 2025. Radiotherapy, as one of the three primary methods of treating malignant tumors, has a penetration rate of 23% in China which lags far behind that of the Western Countries, which has a penetration rate of 60%. According to foreign journals, approximately 60% to 70% of patients with malignant tumors need radiotherapy treatment. Given its market leadership and established brand awareness, the Group believes that it is well-positioned to capture the significant opportunities in this market by providing services that can treat any type of condition requiring radiotherapy.

Looking ahead, the Group will:

(1) continue to focus on the core oncology-related business to enhance brand influence, prioritise patient satisfaction, continuously improve medical services, introduce cutting-edge technology and equipment to guarantee the quality of medical services, and provide oncology patients with one-stop medical services covering the whole treatment cycle, so as to practice the service philosophy of "making healthcare services more accessible and affordable";

(2) continue to improve the replication efficiency nationwide through standardized business segments and modular management and by dint of endogenous growth, acquisitions and cooperation with third parties, so as to further expand the Group's business network and scale nationwide;

(3) actively introduce and train talents, strengthen academic construction, participate in various national, provincial and municipal scientific research projects, encourage academic research and publication of papers, intensify cooperation with colleges and universities in talent development and academic and clinical fields, so as to promote the common development of industry, academia and research; continuously train interdisciplinary talents with medical expertise, build a multi-level talent team for the Group through Hygeia Healthcare Teaching and Researching Institute, and satisfy the increasing demand of patients;

(4) further comply with various regulatory requirements for the industry and strengthen standardized operations, including implementing the core measures for medical quality and safety and supervising medical quality and safety to guarantee medical safety and increase brand credibility; further enhance the compliance awareness at the hospital level and strictly comply with the regulations on prescription and medical insurance reimbursement; and

(5) continue to reinforce the standardized management of the Company as a listed company and strengthen communication with regulatory authorities including the Stock Exchange and various professional institutions, so as to further improve the Company's comprehensive corporate governance.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's revenue was generated primarily from (i) operating private for-profit hospitals; (ii) operating radiotherapy centers and other third-party radiotherapy business; and (iii) managing private not-for-profit hospitals in which the Group holds organizer's interest.

The Group's revenue increased by 47.4% to RMB931.7 million for the six months ended June 30, 2021 from RMB632.3 million for the same period in 2020.

Hospital Business

The Group's revenue from hospital business increased by 53.0% to RMB850.8 million for the six months ended June 30, 2021 from RMB555.9 million for the same period in 2020. The increase in revenue from hospital business was primarily attributable to (i) the continuous growth of revenue from existing hospitals due to business expansion; and (ii) continuous increase in revenue through coverage expansion. As at the end of April 2021, the Group consolidated the revenue contributed by Suzhou Yongding Hospital in May and June 2021 after the acquisition of Etern Group Ltd..

Third-party Radiotherapy Business

The Group's revenue from third-party radiotherapy business increased by 5.6% to RMB77.0 million for the six months ended June 30, 2021 from RMB72.9 million for the same period in 2020.

Hospital Management Business

The Group's revenue from hospital management business increased by 11.4% to RMB3.9 million for the six months ended June 30, 2021 from RMB3.5 million for the same period in 2020.

Cost of Revenue

During the Reporting Period, the Group's cost of revenue primarily consisted of cost of pharmaceuticals, consumables and other inventories, employee benefits expenses, radiotherapy service fees, depreciation and amortization, consultancy and professional service fees, utilities, cleaning and afforestation expenses, repair and maintenance expenses, as well as travelling, entertainment, vehicle and office expenses.

The Group's cost of revenue increased by 48.2% to RMB616.7 million for the six months ended June 30, 2021 from RMB416.0 million for the same period in 2020, primarily due to (i) the increase in the scale of revenue; and (ii) the increase in direct costs as a result of the increase of business volume, including increase in cost of pharmaceuticals, consumables and other inventories of RMB95.8 million compared with that of last period, increase in employee benefits expenses of RMB68.2 million compared with that of last period, and increase in depreciation and amortization in indirect costs of RMB6.8 million as a result of capital expenditure required for business expansion.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by 45.6% to RMB315.0 million for the six months ended June 30, 2021 from RMB216.3 million for the same period in 2020.

The Group's gross profit margin decreased to 33.8% for the six months ended June 30, 2021 from 34.2% for the same period in 2020.

Selling Expenses

During the Reporting Period, the Group's selling expenses primarily consisted of consultancy and professional service fees, marketing and promotion expenses, as well as employee benefits expenses. The Group's selling expenses increased by 52.5% to RMB9.0 million for the six months ended June 30, 2021 from RMB5.9 million for the same period in 2020.

Administrative Expenses

During the Reporting Period, the Group's administrative expenses primarily consisted of employee benefits expenses, consultancy and professional service fees, depreciation and amortization, travelling, entertainment, vehicle and office expenses, utilities, cleaning and afforestation expenses, repair and maintenance expenses and taxation expenses.

The Group's administrative expenses decreased by 2.5% to RMB76.6 million for the six months ended June 30, 2021 from RMB78.6 million for the same period in 2020.

Other Income

During the Reporting Period, the Group's other income was primarily composed of government grants, while government grants were primarily composed of (i) grants that are related directly to expense items and recognized when received in the condensed consolidated statement of comprehensive income; and (ii) grants that are related to assets and are recognized as deferred revenue when received in the condensed consolidated statement of financial position, which are subsequently released to the condensed consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of the assets.

The Group's other income increased by 41.5% to RMB7.5 million for the six months ended June 30, 2021 from RMB5.3 million for the same period in 2020, primarily due to the increase in income from government grants of RMB0.9 million.

Other Gains/(Losses) – Net

During the Reporting Period, the Group's other gains/(losses) – net primarily consisted of income from wealth management products, structured deposit products and deposit certificate, foreign exchange losses and loss on disposal of property, plant and equipment. The Group recorded other gains – net of RMB25.4 million for the six months ended June 30, 2021 and other losses – net of RMB56.0 million for the same period in 2020, primarily because (i) income from wealth management, structured deposit products and deposit certificate increased by RMB26.2 million; (ii) the Group entered into a redemption date deferral agreement in February 2020, resulting in a loss of RMB57.9 million for the six months ended June 30, 2020. As the redeemable Shares were converted into ordinary Shares on the Listing Date, these expenses were one-off expenses and did not affect the net profits of the Group for 2021 and subsequent years.

Finance Income and Costs

During the Reporting Period, the Group's finance income was composed of interest income on bank savings. Finance income increased to RMB1.1 million for the six months ended June 30, 2021 from RMB0.2 million for the same period in 2020.

During the Reporting Period, the Group's finance costs were mainly composed of the Group's interest expenses on bank borrowings and interest expenses on leasing liabilities. The Group's finance costs decreased by 89.8% to RMB4.9 million for the six months ended June 30, 2021 from RMB48.1 million for the same period in 2020, primarily due to the interest expenses of redeemable Shares of RMB48.0 million for the six months ended June 30, 2020. As the redeemable Shares had been converted into ordinary Shares on the Listing Date, these expenses did not affect the net profits of the Group for 2021 and subsequent years.

Income Tax Expense

The Group's income tax expense increased by 72.7% to RMB53.2 million for the six months ended June 30, 2021 from RMB30.8 million for the same period in 2020, primarily due to the increase of RMB93.6 million in profits before tax after deduction of adjustment items that are not deductible for tax purposes in 2020, such as Listing expenses, effect of deferral of the redemption date of redeemable Shares and interest expenses of redeemable Shares.

Net Profit and Non-IFRS Adjusted Net Profit

As a result of the foregoing, the Group's net profit increased by 8,450.0% to RMB205.2 million for the six months ended June 30, 2021 from RMB2.4 million for the same period in 2020. The Group's net profit margin increased to 22.0% for the six months ended June 30, 2021 from 0.4% for the same period in 2020. The Group defined non-IFRS adjusted net profit as profit and total comprehensive income for the period adjusted for items which are non-recurring or extraordinary, including share-based compensation expenses, interest expenses of redeemable Shares, expenses in relation to the Listing and effect of deferral of the redemption date of redeemable Shares. The Group's non-IFRS adjusted net profit increased by 53.1% to RMB205.2 million for the six months ended June 30, 2021 from RMB134.0 million for the same period in 2020.

Non-IFRS Measures

To supplement the Group's consolidated statements of comprehensive income which are presented in accordance with IFRS, the Company has provided adjusted net profit and adjusted net profit margin as non-IFRS measures, which is not required by, or presented in accordance with, IFRS. The Company believes that the adjusted financial measures provide useful information to investors in understanding and evaluating the Group's consolidated statements of comprehensive income in the same manner as they helped the Company's management, and that the Company's management and investors may benefit from referring to these adjusted financial measures in assessing the Group's financial and operating performance from period to period by eliminating impacts of items that the Group does not consider indicative of the Group's operating performance. However, the presentation of these non-IFRS financial measures may not be comparable to similarly titled measures presented by other companies as they do not have a standardized meaning. The use of these non-IFRS measures has limitations as an analytical tool, as such, they should not be considered in isolation from, or as substitute for analysis of, the Group's consolidated statements of comprehensive income as reported under IFRS. You should not view the non-IFRS adjusted results on a stand-alone basis or as a substitute for results under IFRS.

The following table sets forth the reconciliations of the Group's non-IFRS financial measures for the six months ended June 30, 2020 and 2021 to the nearest measures prepared in accordance with IFRS:

	Unaudited Six months ended June 30,	
	2021 ***(RMB'000)***	2020 *(RMB'000)*
Net profit	**205,151**	2,356
Adjustments:		
Impact of the deferral of the redemption date of redeemable Shares	**–**	57,852
Interest expense of redeemable Shares	**–**	48,029
Listing expenses (after tax)	**–**	21,656
Share-based compensation expenses	**9**	4,063
Non-IFRS adjusted net profit	**205,160**	133,956
Non-IFRS adjusted net profit margin *(Note)*	**22.0%**	21.2%

Note:

Non-IFRS adjusted net profit margin was calculated based on non-IFRS adjusted net profit divided by revenue.

Liquidity and Capital Resources

The Group's business operations and expansion plans require a significant amount of capital, including upgrading the existing hospitals in the Group's network, establishing and acquiring new hospitals and other working capital requirements. Historically, the Group financed its capital expenditure and working capital requirements mainly through cash generated from operations, bank borrowings and capital contributions from Shareholders. As of June 30, 2021, the Group had cash and cash equivalents of RMB699.1 million, of which, RMB8.3 million were denominated in USD and RMB0.1 million were denominated in HKD.

Operating Activities

During the Reporting Period, the Group derived its cash inflow from operating activities primarily through provision of healthcare services and hospital management services as well as provision of radiotherapy center consulting services, licensing of radiotherapy equipment and provision of maintenance and technical support services. Cash outflow from operating activities was primarily composed of payments for procurement of pharmaceuticals and medical consumables, employee benefits expenses, and other operating expenses.

The Group's net cash generated from operating activities increased by 28.5% to RMB163.0 million for the six months ended June 30, 2021 from RMB126.8 million for the same period in 2020, primarily attributable to the increase in the overall revenue of the Group.

Investing Activities

During the Reporting Period, the Group's cash used in investing activities mainly reflected cash used in payments for purchases of property, plant and equipment, payments for acquisition of subsidiaries and payments for financial assets at fair value through profit or loss. The Group's cash generated from investing activities was mainly composed of proceeds from disposal of financial assets at fair value through profit or loss and proceeds from disposal of property, plant and equipment and intangible assets.

The Group's net cash used in investing activities increased by 398.9% to RMB757.8 million for the six months ended June 30, 2021 from RMB151.9 million for the same period in 2020, primarily attributable to the payment for acquisition of subsidiaries of RMB1,713.8 million and the net redemption of wealth management products and structured deposit products of RMB1,206.5 million by the Group in the first half of 2021.

Financing Activities

During the Reporting Period, cash inflow from financing activities was mainly composed of proceeds from bank borrowings. Cash outflow from the Group's financing activities was mainly composed of repayment of bank borrowings, payment of interest on borrowings and payment of lease liabilities.

The Group's net cash generated from financing activities decreased by 51.2% to RMB911.7 million for the six months ended June 30, 2021 from RMB1,868.7 million for the same period in 2020, primarily due to the proceeds from bank borrowings of RMB986.8 million in the first half of 2021 and the proceeds from the Listing of RMB2,024.3 million on June 29, 2020.

Significant Investments

The Group did not have any significant investments for the six months ended June 30, 2021.

Material Acquisitions and Disposals

On April 25, 2021, the Group announced the acquisition of all the equity interest in Etern Group Ltd., pursuant to which the Group became indirectly interested in 98% of Suzhou Yongding Hospital's equity interest. The acquisition of Etern Group Ltd. was completed on April 28, 2021.

On May 26, 2021, the Group announced the acquisition of 99% equity interest in Hezhou Guangji Hospital, which was completed in July 2021.

Save as disclosed above, the Group did not have any other material acquisition or disposal for the six months ended June 30, 2021.

Capital Expenditures

During the Reporting Period, the Group's capital expenditures were primarily composed of expenditures on (i) property, plant and equipment, mainly comprising construction in progress and medical equipment; and (ii) intangible assets. The Group's capital expenditures increased by 60.3% to RMB251.7 million for the six months ended June 30, 2021 from RMB157.0 million for the same period in 2020, which was primarily attributable to the payment of land costs for the construction of subordinate hospitals of RMB82.8 million and construction costs for subordinate hospitals of RMB117.3 million in the first half of 2021.

FINANCIAL POSITION

Total Assets and Total Liabilities

As of June 30, 2021, the Group's total assets were mainly composed of cash and cash equivalents, trade, other receivables and prepayments, property, plant and equipment, intangible assets and financial assets at fair value through profit or loss. The Group's total assets increased by 32.2% to RMB6,214.4 million as of June 30, 2021 from RMB4,701.3 million as of December 31, 2020, primarily due to the receipt by the Group of bank borrowings of RMB986.8 million in April 2021.

As of June 30, 2021, the Group's total liabilities were mainly composed of borrowings, trade and other payables, current income tax liabilities, deferred income tax liabilities and deferred revenue. The Group's total liabilities increased by 383.0% to RMB1,738.4 million as of June 30, 2021 from RMB359.9 million as of December 31, 2020, primarily attributable to the balance of the Group's borrowings of RMB996.9 million as of June 30, 2021 compared to no such balance as of December 31, 2020.

Inventories

The Group's inventories were mainly composed of pharmaceuticals, medical consumables and spare parts. The Group's inventories increased by 42.9% to RMB72.9 million as of June 30, 2021 from RMB51.0 million as of December 31, 2020, primarily due to the delivery of Suzhou Yongding Hospital on April 28, 2021, resulting in an increase of RMB22.5 million in the balance of inventories.

Trade, Other Receivables and Prepayments

The Group's trade receivables mainly represented the balances due from the patients and public medical insurance programs for healthcare services provided by its self-owned hospitals, hospital partners for its Radiotherapy Center Services and other licensees of its proprietary SRT equipment. The Group's trade receivables increased by 41.6% to RMB362.6 million as of June 30, 2021 from RMB256.0 million as of December 31, 2020, primarily due to the increase in balance of medical insurance receivables and amounts due from individuals as a result of the increase in revenue.

The Group's other receivables mainly represented deposits receivables. The Group's other receivables increased by 58.1% to RMB18.5 million as of June 30, 2021 from RMB11.7 million as of December 31, 2020, primarily due to the increase in deposits receivables of RMB4.0 million.

The Group's prepayments to suppliers represented amounts prepaid for procurement of pharmaceuticals and medical consumables and prepayments made by the Group to contract manufacturers. The Group's prepayments to suppliers increased by 106.8% to RMB18.2 million as of June 30, 2021 from RMB8.8 million as of December 31, 2020.

The Group's prepayments for non-current assets include prepayments for acquisition of a subsidiary and prepayments for property, plant and equipment. Prepayments for property, plant and equipment represent prepaid construction fees to contractors which undertook the construction work of the Group's self-owned hospitals as well as prepayments for purchase of medical equipment. The Group's prepayments for acquisition of a subsidiary increased from nil as of December 31, 2020 to RMB128.3 million as of June 30, 2021. The Group's prepayments for property, plant and equipment increased by 10.1% to RMB19.7 million as of June 30, 2021 from RMB17.9 million as of December 31, 2020.

Intangible Assets

The Group's intangible assets were primarily composed of goodwill, software, contractual rights to provide management services, and medical licenses. The Group's intangible assets increased by 389.8% to RMB1,875.6 million as of June 30, 2021 from RMB382.9 million as of December 31, 2020, primarily due to the delivery of Suzhou Yongding Hospital on April 28, 2021, resulting in an increase of RMB1,449.1 million in the balance of goodwill.

Trade and Other Payables

The Group's trade payables primarily represented outstanding amounts due to the Group's suppliers of pharmaceuticals and medical consumables as well as the Group's providers of Radiotherapy Center Services. The Group's trade payables increased by 68.4% to RMB199.5 million as of June 30, 2021 from RMB118.5 million as of December 31, 2020, primarily due to the delivery of Suzhou Yongding Hospital on April 28, 2021, resulting in an increase of RMB63.5 million in the balance of accounts payable.

The Group's other payables primarily represented salaries payables, other taxes payables, payables for construction projects, payables of considerations for acquisition of subsidiaries, dividend payable and prepayments received for radiotherapy equipment licensing. The Group's other payables increased by 188.0% to RMB342.2 million as of June 30, 2021 from RMB118.8 million as of December 31, 2020, primarily due to (i) the increase in the balance of dividends payable from nil as of December 31, 2020 to RMB74.1 million as of June 30, 2021; (ii) the increase in the balance of salaries payable to employees of RMB71.0 million; and (iii) the increase in the payables for acquisition of subsidiaries of RMB34.7 million arising from the acquisition of Suzhou Yongding Hospital.

Borrowings

As of June 30, 2021, the Group had outstanding short-term borrowings of RMB15.0 million and USD2.0 million (approximately RMB27.8 million in aggregate) and long-term borrowings of USD150.0 million (approximately RMB969.2 million).

Pledge of Assets

The Group had no pledged assets as of June 30, 2021.

Contract Liabilities

The Group's contract liabilities represented advance payments from the Group's customers while the underlying services have not been provided. The Group's contract liabilities increased by 101.7% to RMB23.2 million as of June 30, 2021 from RMB11.5 million as of December 31, 2020, primarily due to the increase in advances received from inpatients of RMB9.6 million as of June 30, 2021.

Capital Commitments

Capital commitments that were contracted but not provided for primarily represented commitments arising out of a contractual relationship where the relevant property, plant and equipment or intangible assets were not provided as of the relevant dates. The Group's capital commitments as of June 30, 2021 were primarily related to commitments for (i) the construction and decoration of its in-network hospitals; and (ii) the purchase of large equipment. The Group's capital commitments increased by 105.0% to RMB439.2 million as of June 30, 2021 from RMB214.2 million as of December 31, 2020, primarily due to the increase in the commitments related to the phase two project in Chongqing of RMB216.3 million as of June 30, 2021.

Contingent Liabilities

As of June 30, 2021, the Group did not have any outstanding debt securities, mortgage, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or acceptance credits, or other similar indebtedness, leasing and financial leasing commitments, hire purchase commitments, guarantees or other material contingent liabilities.

Financial Instruments

The financial instruments of the Group were mainly composed of cash and cash equivalents, amounts due from related parties, trade and other receivables excluding non-financial assets, trade and other payables excluding non-financial liabilities, lease liabilities and borrowings.

Future Plan for Material Investments and Capital Assets

Save as disclosed in this report and the Prospectus of the Company, the Group did not have any future plan for material investments and capital assets for the six months ended June 30, 2021.

Gearing Ratio

Gearing ratio is calculated as net debt divided by total capital and multiplied by 100%. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents. Total capital includes the capital (including "equity" as shown in the interim condensed consolidated statements of financial position) plus net debt. The gearing ratio of the Group as of June 30, 2021 was 6.3%.

Foreign Exchange Risk

The Group's businesses are principally conducted in RMB. The majority of assets is denominated in RMB. The majority of non-RMB assets and liabilities are bank deposits, borrowings and other payables denominated in USD. The monetary assets and monetary liabilities denominated in foreign currency as at June 30, 2021 amounted to RMB8.4 million and RMB1,016.4 million, respectively. If the RMB had strengthened/weakened by 5% against the USD with all other variables held constant, the pre-tax profit for the six months ended June 30, 2021 would have been approximately RMB50.4 million higher/lower. The Group has not used any derivative contracts to hedge against foreign exchange risk.

Interest Rate Risk

The Group's interest rate risk arises from interest-bearing borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group currently does not use any interest rate swap contracts or other financial instruments to hedge against interest rate exposure.

Credit Risk

The Group's credit risk is primarily attributable to trade and other receivables, amounts due from related parties and cash deposits at banks. The maximum exposure to credit risk is represented by the carrying amounts of these financial assets in the condensed consolidated statement of financial position. Management of the Group puts in place a credit policy and the exposure to these credit risks is monitored on an on-going basis.

To manage the Group's credit risk arising from cash deposits, the Group only transacts with state-owned financial institutions in the PRC and reputable international financial institutions. There has been no recent history of default in relation to these financial institutions.

For hospital business, the Group, being a healthcare service provider, has a highly diversified customer base, without any single customer contributing material revenue. However, the Group has a relatively concentrated debtor's portfolio, as majority patients settle their medical fees through public medical insurance programs, and the reimbursement from which may take one to 12 months. The Group has policies in place to ensure the medical services it provided are in line with the requirements of public medical insurance programs and it closely monitors the status of overdue payment to ensure timely collection. For trade receivables of the Group's third-party radiotherapy business and hospital management business, the Group generally grants credit terms of up to 90 days and follow up actively on the settlement with relevant customers to avoid overdue receivables.

For other receivables and amounts due from related parties, the Group's management makes periodic collective assessments as well as individual assessment on the recoverability based on historical settlement records and past experience. The Directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables and amounts due from related parties as the Group closely monitors their repayment.

Liquidity Risk

The Group manages liquidity risk by closely and continuously monitoring its financial position. The Group aims to maintain adequate cash and cash equivalents to meet its liquidity requirements.

INTERIM DIVIDENDS

The Board has resolved not to recommend payment of an interim dividend for the six months ended June 30, 2021.

EMPLOYEES AND REMUNERATION POLICIES

As of June 30, 2021, the Group had 4,140 full-time employees, among whom 58 were employees at the headquarters level and 4,082 were employees of self-owned hospitals. The following table shows a breakdown of the employees by function as of June 30, 2021:

Functions	Number of Employees	% of total employees
Headquarters level		
Management	5	0.1
Operations	21	0.5
Manufacturing	17	0.4
Administrative and others	15	0.4
Subtotal	**58**	**1.4**
Self-owned hospitals		
Physicians	993	24.0
Other medical professionals	2,134	51.5
Management, administrative and others	955	23.1
Subtotal	**4,082**	**98.6**
Total	**4,140**	**100.0**

The Group believes it has maintained good relationship with its employees. Employees of the Group's in-network hospitals are not represented by a labor union. As of the date of this report, the Group did not experience any strikes or any labor disputes with its employees which have had or are likely to have a material effect on its business.

The employees of the Group typically enter into standard employment contracts with the Group. Each in-network hospital independently recruits and enters into employment contracts with its own employees.

The Group provides both in-house and external trainings for its employees to improve their skills and knowledge. Remuneration packages for the employees of the Group were mainly composed of a base salary and performance-related bonus. The Group sets performance targets for its employees primarily based on their position and department and periodically review their performance. The results of such reviews are used in their salary determinations, bonus awards and promotion appraisals. During the Reporting Period, the Group contributed to social insurance and housing provident funds for its employees in accordance with applicable PRC laws, rules and regulations.

Corporate Governance and Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company has complied with all the applicable code provisions of the CG Code throughout the six months ended June 30, 2021.

On July 6, 2021, the Company appointed Mr. Zhu Yiwen as the Chairman of the Board and on August 23, 2021, the Company redesignated Mr. Zhu Yiwen from a non-executive Director to an executive Director and from Co-chief Executive Officer to Chief Executive Officer of the Company. Upon the appointment, Mr. Zhu assumes the dual role as the Chairman of the Board and the Chief Executive Officer of the Company. Accordingly, notwithstanding that the Corporate Governance Code provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual, the Board is of the view that with support of the mature structure of the Company with a strict operational system and a set of procedural rules for the Board meetings, the Chairman does not have any power different from that of other Directors in relation to the decision making process. Moreover, the Company has also implemented an integrated system and a structured procedure to daily operations of the Group which ensure the diligence and efficiency of the Chief Executive Officer. As such, the Board believes that the management structure of the Company will ensure management efficiency and at the same time, protect the rights of all shareholders of the Company to the greatest extent. The Board will continue to review the effectiveness of the corporate governance structure to consider whether any further improvement to the above personnel arrangements is required.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding director's securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he or she has complied with the required standard as set out in the Model Code during the six months ended June 30, 2021.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the requirements under the Listing Rules. The Audit Committee consists of two independent non-executive Directors and one non-executive Director, being Mr. Ye Changqing (chairman of the Audit Committee), Mr. Liu Yanqun and Mr. Fang Min. The primary duties of the Audit Committee include, among others, reviewing the Company's compliance, accounting policies and financial reporting procedures, supervising the implementation of the Company's internal audit system, advising on the appointment or replacement of external auditors, liaising between internal audit department and external auditors, and other responsibilities as authorized by the Board.

REVIEW OF INTERIM RESULTS AND INTERIM REPORT

The Audit Committee has reviewed the unaudited condensed interim results and interim report of the Group for the six months ended June 30, 2021, including the accounting principles and policies adopted by the Group. In addition, PricewaterhouseCoopers, the Company's auditor, has reviewed the unaudited interim financial information of the Group for the six months ended June 30, 2021 in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

PROCEEDS FROM GLOBAL OFFERING AND ITS UTILISATION

The Company issued 120,000,000 Shares in Global Offering at HK$18.50 which were listed on the Main Board of the Stock Exchange on June 29, 2020 and subsequently issued 18,000,000 Shares at HK$18.50 upon full exercise of the over-allotment option.

Corporate Governance and Other Information

The Net Proceeds from the Global Offering received by the Company, after deduction of the underwriting fees and commissions and other expenses payable by the Company in connection with the Global Offering, amounted to approximately HK$2,391.9 million and the unutilized Net Proceeds were kept at the bank accounts of the Group as at June 30, 2021.

Reference is made to the Prospectus and announcement dated May 26, 2021.

Details on the applications of the Net Proceeds from the Listing (adjusted on a pro rata bases based on the actual Net Proceeds) were disclosed in the Prospectus and subsequently revised and disclosed in the Company's announcement dated May 26, 2021. The following table sets out the revised applications of the Net Proceeds, actual usage up to June 30, 2021 as well as the expected timeline for utilization:

	Percentage of the Net Proceeds from the Global Offering	Net Proceeds from the Global Offering and utilisation			Expected timeline for utilization (1)
		Amount available for utilization as revised (2) *HK$ million*	Amount utilized *HK$ million*	Remaining amount *HK$ million*	
Upgrading Shanxian Hygeia Hospital, Chongqing Hygeia Hospital and Chengwu Hygeia Hospital, all of which are the Group's self-owned for-profit hospitals, and establishing new hospitals in Liaocheng, Dezhou, Suzhou and Longyan	41.2%	985.1	338.3	646.8	By the end of June 2024
Acquiring hospitals, when appropriate opportunities arise, in new markets which has sizable population and relatively high level of demand for oncology healthcare services	48.8%	1,167.6	717.6	450.0	By the end of June 2024
Upgrading information technology systems	5.0%	119.6	5.9	113.7	By the end of June 2024
Working capital and other general corporate purposes	5.0%	119.6	119.6	—	N/A
Total	**100%**	**2,391.9**	**1,181.4**	**1,210.5**	

Notes:

(1) The expected timeline for the usage of the remaining proceeds was prepared based on the best estimate of the Group's future market conditions, which is subject to the current and future development of the market conditions.

(2) On May 26, 2021, the Company has announced that having considered the need to better utilize its financial resources and to capture favorable investment opportunities, the Board has reviewed the utilization of the Net Proceeds and resolved to re-allocate the proposed use of the Net Proceeds from the Listing.

CHANGES TO DIRECTORS' INFORMATION

Pursuant to Rules 13.51B (1) and 13.51B (3) of the Listing Rules, the changes in Directors' information are set out as follows:

Change of Director/Major Appointment

Mr. Fang Min has resigned as the Chairman of the Board but will continue to serve as a non-executive Director.

Mr. Zhu Yiwen was appointed as the Chairman of the Board with effect from July 6, 2021 and was redesignated as an executive Director and appointed the Chief Executive Officer of the Company with effect from August 23, 2021.

Change of Directors' Remuneration

The remuneration package of Mr. Zhu Yiwen for his services as the Chairman, executive Director and Chief Executive Officer has been increased from RMB60,000 to RMB493,400 per annum with effect from August 23, 2021. Mr. Zhu. is not entitled to a separate Director's fee.

Save as above, as at June 30, 2021, there were no changes in the Directors' information which are required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND THE CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As of June 30, 2021, the interest or short position of the Directors or chief executives of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code to be notified to the Company and the Stock Exchange are as follows:

Interest in Shares of the Company

Name of Director/ Chief Executive	Nature of interest	Number of Shares	Approximate percentage of interest in the total share capital of the Company
Mr. Zhu[1][2]	Interest in a controlled corporation/Interest of concert parties	280,260,415 (L)[5]	45.35%
Mr. Ren Ai[3][4]	Interest in a controlled corporation/Interest of spouse/Beneficial interest	280,260,415 (L)[5]	45.35%
Mr. Zhang Wenshan	Beneficial interest	32,235 (L)[5]	0.01%

Notes:

(1) Century River is wholly-owned by Century River Investment, which is in turn wholly-owned by Mr. Zhu. Therefore, Mr. Zhu and Century River Investment are deemed to be interested in the Shares directly held by Century River.

(2) Pursuant to the concert party confirmation, Mr. Zhu and Ms. Zhu have confirmed that they had and would continue to, for so long as they remain interested in the Shares, directly or indirectly, act in concert by aligning their votes at the shareholders' meetings of the Company. As such, Mr. Zhu and Ms. Zhu, together with Century River, Century River Investment, Red Palm, Amber Tree and Red Palm Investment, are all deemed to be interested in the total Shares directly held by Century River, Red Palm and Amber Tree.

(3) Mr. Ren Ai wholly-owns Spruce Wood Investment Holdings Limited, and is therefore deemed to be interested in the Shares directly held by Spruce Wood Investment Holdings Limited.

(4) Mr. Ren Ai is the spouse of Ms. Zhu, and is therefore deemed to be interested in the Shares which are interested by Ms. Zhu.

(5) The letter "L" denotes the entity's long position in the Shares.

Interests in the associated corporation

Name of Director/ Chief Executive	Nature of interest	Name of associated corporation	Approximate percentage of interest
Mr. Zhu	Interest in a controlled corporation	Hygeia Hospital Management[1]	100%[2]
		VIE Hospitals (other than Shanxian Hygeia Hospital)[3]	30%[5]
		Shanxian Hygeia Hospital[3]	11.56%[4][6]
		Managed Hospitals[7]	30%[8]
		Kaiyuan Jiehua Hospital Co., Ltd.	30%[10]
Mr. Ren Ai	Interest of spouse	Hygeia Hospital Management[1]	100%[2][9]
		VIE Hospitals (other than Shanxian Hygeia Hospital)[3]	30%[5][9]
		Shanxian Hygeia Hospital[3]	11.56%[4][6][9]
		Managed Hospitals[7]	30%[8][9]
		Kaiyuan Jiehua Hospital Co., Ltd.	30%[9][10]

Notes:

(1) Hygeia Hospital Management is a subsidiary of the Company by virtue of the contractual arrangements and therefore, is an associated corporation of our Group.

(2) Mr. Zhu and his daughter, Ms. Zhu holds 40% and 60% equity interest, respectively, in Xiangshang Investment which in turn holds 100% equity interest in Hygeia Hospital Management, and therefore, Mr. Zhu and Ms. Zhu are deemed to be interested in the equity interest in Hygeia Hospital Management held by Xiangshang Investment.

(3) Each of the VIE Hospitals is a subsidiary of the Company and therefore, is an associated corporation of the Group.

(4) The Group entered into an equity transfer agreement to purchase an aggregate of approximately 17.62% equity interest in Shanxian Hygeia Hospital on June 24, 2021, and the transaction was completed on July 12, 2021.

(5) Hygeia Hospital Management holds 30% equity interest in each of the VIE Hospitals (other than Shanxian Hygeia Hospital), and therefore, Mr. Zhu and Ms. Zhu are deemed to be interested in the equity interest of the VIE Hospitals (other than Shanxian Hygeia Hospital) held by Hygeia Hospital Management.

(6) Hygeia Hospital Management holds 11.56% equity interest in Shanxian Hygeia Hospital, and therefore, Mr. Zhu and Ms. Zhu are deemed to be interested in the equity interest of Shanxian Hygeia Hospital held by Hygeia Hospital Management.

(7) The organizer's interest of each of the Managed Hospitals was held by us and Xiangshang Investment as to 70% and 30%, respectively, and therefore each of the Managed Hospitals is an associated corporation of our Group. The changes of 30% organizer's interest in Handan Renhe Hospital and Handan Zhaotian Hospital have not been filed with the competent authorities due to practical difficulties. Handan Renhe Hospital and Handan Zhaotian Hospital will complete such filings as soon as practicable under applicable laws.

(8) Xiangshang Investment holds 30% organizer's interest in each of the Managed Hospitals, and therefore, Mr. Zhu and Ms. Zhu are deemed to be interested in the organizer's interest in the Managed Hospitals held by Xiangshang Investment.

(9) Mr. Ren Ai is the spouse of Ms. Zhu and therefore, is deemed to be interested in the equity interest which is interested by Ms. Zhu.

(10) Xiangshang Investment holds 30% equity interest in Kaiyuan Jiehua Hospital Co., Ltd. and therefore, Mr. Zhu and Ms. Zhu are deemed to be interested in the equity interest of Kaiyuan Jiehua Hospital Co., Ltd. held by Xiangshang Investment. Kaiyuan Jiehua Hospital Co., Ltd. currently operates a private for-profit hospital whose predecessor is Kaiyuan Jiehua Hospital, one of the private not-for-profit hospitals managed by the Group.

Save as disclosed above, as of June 30, 2021, so far as it was known to the Directors or chief executive of the Company, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the period from the Listing Date to June 30, 2021 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

INTERESTS AND SHORT POSITIONS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF THE PART XV OF THE SFO

As of June 30, 2021, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Nature of interest	Number of Shares held	Approximate percentage of shareholding in the Company
Century River Investment(1)(3)	Interest in a controlled corporation/Interest of concert parties	280,260,415 (L)	45.35%
Century River(1)(3)	Interest of concert parties/Beneficial interest	280,260,415 (L)	45.35%
Ms. Zhu(2)(3)(4)	Interest in a controlled corporation/	280,260,415 (L)	45.35%
	Interest of concert parties/Interest of spouse		45.35%
Red Palm Investment(2)(3)	Interest in a controlled corporation/Interest of concert parties	280,260,415 (L)	45.35%
Amber Tree(2)(3)	Beneficial interest/Interest of concert parties	280,260,415 (L)	45.35%
Red Palm(2)(3)	Beneficial interest/Interest of concert parties	280,260,415 (L)	45.35%
Fountain Grass(5)	Beneficial interest	47,756,038 (L)	7.73%

Notes:

(1) Century River is wholly-owned by Century River Investment, which is in turn wholly-owned by Mr. Zhu. Therefore, Mr. Zhu and Century River Investment are deemed to be interested in the Shares directly held by Century River.

(2) Each of Red Palm and Amber Tree is wholly-owned by Red Palm Investment, which is in turn wholly-owned by Ms. Zhu. Therefore, Ms. Zhu and Red Palm Investment are deemed to be interested in the total Shares directly held by Amber Tree and Red Palm.

(3) Pursuant to the concert party confirmation, Mr. Zhu and Ms. Zhu have confirmed that they had and would continue to, for so long as they remain interested in the Shares, directly or indirectly, act in concert by aligning their votes at the shareholders' meetings of the Company. As such, Mr. Zhu and Ms. Zhu, together with Century River, Century River Investment, Red Palm, Amber Tree and Red Palm Investment, are all deemed to be interested in the total Shares directly held by Century River, Red Palm and Amber Tree.

(4) Spruce Wood Investment Holdings Limited is wholly-owned by Mr. Ren Ai. Therefore, Mr. Ren Ai is deemed to be interested in the Shares directly held by Spruce Wood Investment Holdings Limited. Ms. Zhu is the spouse of Mr. Ren Ai, and is therefore deemed to be interested in the Shares which are interested by Mr. Ren Ai by virtue of the SFO.

(5) Fountain Grass Investment Ltd is 100% held by Ruby Gem Holdings Limited, which in turn is held by Warburg Pincus Private Equity XI, L.P. as to approximately 60.49%. The general partner of Warburg Pincus Private Equity XI, L.P. is Warburg Pincus XI, L.P., the general partner of which is WP Global LLC. The managing member of WP Global LLC is Warburg Pincus Partners II, L.P., the general partner of which is Warburg Pincus Partners GP LLC. Warburg Pincus & Co is the managing member of Warburg Pincus Partners GP LLC.

(6) The letter "L" denotes the entity's long position in the Shares. The letter "S" denotes the entity's short position in the Shares.

Save as disclosed above, as of June 30, 2021, the Directors were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

PRE-IPO SHARE AWARD SCHEME

The Company approved and adopted a Pre-IPO Share Award Scheme on July 17, 2019 to reward the participants Shares pursuant to the applicable awarded share subscription agreement (the "**Awarded Share**") or awards of restricted shares unit (the "**RSU**"), in order to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentives to selected employees, Directors, and consultants and to promote the success of the Company's business by offering these individuals an opportunity to acquire a proprietary interest in the success of the Company or to increase this interest, by permitting them to acquire Shares of the Company.

As of the Listing Date, all of the Shares under the Pre-IPO Share Award Scheme including 16,440 Awarded Shares (which was subdivided into 164,400 Shares after a share subdivision on September 18, 2019) and RSUs in respect of 6,578 Shares (which was subdivided into 65,780 Shares after a share subdivision on September 18, 2019) had been issued or granted to one Director, one senior management member and one employee or consultant. The Pre-IPO Share Award Scheme was terminated upon the Listing and no Shares or RSUs have been and would be issued or granted under the Share Award Scheme after the Listing. As of June 30, 2021, all awarded RSUs are no longer subject to transfer restrictions under the rules of the Pre-IPO Share Award Scheme.

For more details of the Pre-IPO Share Award Scheme, please refer to the "D. Pre-IPO Share Incentive Plans — 2. Pre-IPO Share Award Scheme" of Appendix IV of the Prospectus of the Company.

PRE-IPO RESTRICTED SHARE SCHEME

The Company approved and adopted the Pre-IPO Restricted Share Scheme on July 17, 2019 to reward the participants for their contributions in the development of the Group, provide the participants with the opportunity to receive proprietary interests in the Shares and to encourage the participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole. Persons eligible to receive the restricted shares (the "**Restricted Shares**") under the Pre-IPO Restricted Share Scheme are the core employees or consultant of any member of the Group whom the Board considers, in its sole discretion, to have contributed or will contribute to the growth and development of the Group. As of June 30, 2021, all awarded Restricted Shares are no longer subject to transfer restrictions under the rules of the Pre-IPO Restricted Share Scheme.

For more details of the Pre-IPO Restricted Share Scheme, please refer to the "D. Pre-IPO Share Incentive Plans — 1. Pre-IPO Restricted Share Scheme" of Appendix IV of the Prospectus of the Company.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE REPORTING PERIOD

On July 6, 2021, Mr. Fang Min has resigned as the Chairman of the Board but will continue to serve as a non-executive Director and Mr. Zhu Yiwen, a non-executive Director, has been appointed as the Chairman of the Board and no longer serves as the vice chairman of the Board.

On August 23, 2021, Mr. Zhu Yiwen has been re-designated from a non-executive Director to an executive Director and appointed as the Chief Executive Officer of the Company, and Ms. Cheng Huanhuan has been re-designated from the Chief Executive Officer to the Co-chief Executive Officer of the Company.

On August 24, 2021, the Company proposed to adopt a share option scheme (the "**Proposed Share Option Scheme**") to further improve the governance structure of the Company and to effectively attract, motivate and retain talents. The Proposed Share Option Scheme is subject to the approval of the Shareholders at the EGM to adopt the Proposed Share Option Scheme and to allot and issue Shares pursuant to the exercise of any Option and Stock Exchange granting approval of (subject to such conditions as the Stock Exchange may impose) the listing of, and permission to deal in, any Shares which may fall to be allotted and issued pursuant to the exercise of any Option that is granted or may be granted under the Proposed Share Option Scheme. The Proposed Share Option Scheme shall be valid and effective for a period of 10 years commencing from the adoption date and the maximum number of shares which can be awarded under the Proposed Share Option Scheme and to an eligible person under the Proposed Share Option Scheme are limited to 3% of the issued share capital of the Company as at the adoption date.

On September 14, 2021, Qihai (Chongqing) Medicine Limited* (棲海(重慶)醫藥有限公司), a wholly-owned subsidiary of the Company (the "**Qihai Medicine**"), entered into a medicine procurement framework agreement with each of Handan Renhe Hospital and Kaiyuan Jiehua Hospital Co., Ltd. (the "**Medicine Procurement Framework Agreements**") and Jiangsu Hygeia Supply Chain Management Co., Ltd.* (江蘇海吉亞供應鏈管理有限公司), a wholly-owned subsidiary of the Company (the "**Jiangsu Supply Chain**"), entered into a medical consumables procurement framework agreement with each of Handan Renhe Hospital and Kaiyuan Jiehua Hospital Co., Ltd.(the "**Medical Consumables Procurement Framework Agreements**", together with the Medicine Procurement Framework Agreements, the "**Procurement Agreements**"). Pursuant to the Procurement Agreements, Qihai Medicine and Jiangsu Supply Chain shall supply, as required for the daily operation needs of hospitals from time to time and within the scope of operation permit of each of the Qihai Medicine and Jiangsu Supply Chain, medicine and medical consumables to Handan Renhe Hospital and Kaiyuan Jiehua Hospital Co., Ltd., respectively. The entering into the Procurement Agreements centralizes the procurement and provides a stable supply of medicine and medical consumables to Handan Renhe Hospital and Kaiyuan Jiehua Hospital Co., Ltd., which promotes the operational efficiency and enhances the service level provided by the Group to the in-network hospitals as compared to purchasing from other external third-party suppliers, on the other hand, it also improves the service quality of in-network hospitals, and satisfy the increasing demands of patients. The transaction contemplated under the Procurement Agreements constitute continuing connected transactions of the Company which are subject to the reporting, announcement and annual review requirements, but are exempt from the circular (including independent financial advice) and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Details of the Procurement Agreements are set out in the announcement of the Company dated September 14, 2021.

Save as disclosed above and in Note 34 to the interim financial information, there was no significant event that might affect the Group after the Reporting Period.

Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF HYGEIA HEALTHCARE HOLDINGS CO., LIMITED
(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 36 to 81, which comprises the interim condensed consolidated statements of financial position of Hygeia Healthcare Holdings Co., Limited (the "Company") and its subsidiaries (together, the "Group") as at June 30, 2021 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, August 23, 2021

Interim Condensed Consolidated Statement of Comprehensive Income

		Unaudited Six months ended June 30,	
	Notes	2021 RMB'000	2020 RMB'000
Revenue	5	931,701	632,260
Cost of revenue	5, 8	(616,724)	(415,970)
Gross profit		314,977	216,290
Selling expenses	8	(9,042)	(5,878)
Administrative expenses	8	(76,647)	(78,628)
Other income	6	7,470	5,320
Other gains/(losses) – net	7	25,392	(56,039)
– Other losses – effect of deferral of the redemption date of redeemable shares	7	–	(57,852)
– Other gains – others	7	25,392	1,813
Operating profit		262,150	81,065
Finance income	10	1,102	197
Finance costs	10	(4,889)	(48,097)
– Finance costs – interest expenses of redeemable shares	10	–	(48,029)
– Finance costs – others	10	(4,889)	(68)
Finance costs – net		(3,787)	(47,900)
Profit before income tax		258,363	33,165
Income tax expense	11	(53,212)	(30,809)
Profit and total comprehensive income for the period		205,151	2,356
Profit and total comprehensive income attributable to			
– Owners of the Company		197,604	2,356
– Non-controlling interests		7,547	–
Earnings per share			
– Basic earnings per share (in RMB)	12	0.32	0.01
– Diluted earnings per share (in RMB)	12	0.32	0.01

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statements of Financial Position

	Notes	Unaudited As at June 30, 2021 RMB'000	Audited As at December 31, 2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	1,966,455	1,365,850
Intangible assets	14	1,875,637	382,940
Prepayments for non-current assets	19	148,036	17,885
Deferred income tax assets	15	12,319	12,289
Total non-current assets		4,002,447	1,778,964
Current assets			
Inventories	16	72,931	50,957
Trade, other receivables and prepayments	19	399,288	276,530
Amounts due from related parties	31	20,611	12,824
Financial assets at fair value through profit or loss	17	1,020,040	2,196,926
Cash and cash equivalents	20	699,119	385,104
Total current assets		2,211,989	2,922,341
Total assets		6,214,436	4,701,305
EQUITY			
Equity attributable to owners of the Company			
Share capital and premium	21	7,156,996	7,123,502
Shares held for employee share scheme		–	–*
Other reserves	22	(2,781,394)	(2,747,909)
Retained earnings/(accumulated losses)		15,697	(107,826)
		4,391,299	4,267,767
Non-controlling interests		84,731	73,610
Total equity		4,476,030	4,341,377

* The balance represents an amount less than RMB1,000.

Interim Condensed Consolidated Statements of Financial Position

	Notes	Unaudited As at June 30, 2021 RMB'000	Audited As at December 31, 2020 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	15	90,829	43,599
Deferred revenue	25	34,776	26,690
Lease liabilities	26	614	807
Borrowings	23	969,170	–
Other non-current liabilities	27	8,090	7,880
Total non-current liabilities		1,103,479	78,976
Current liabilities			
Trade and other payables	28	541,627	237,268
Contract liabilities	29	23,178	11,456
Current income tax liabilities		41,314	30,551
Lease liabilities	26	1,043	1,677
Borrowings	23	27,765	–
Total current liabilities		634,927	280,952
Total liabilities		1,738,406	359,928
Total equity and liabilities		6,214,436	4,701,305

The above interim condensed consolidated statements of financial position should be read in conjunction with the accompanying notes.

The interim condensed consolidated financial statements on pages 36 to 81 were approved by the board of directors on August 23, 2021 and were signed on its behalf:

Cheng Huanhuan
Director

Ren Ai
Director

Interim Condensed Consolidated Statement of Changes in Equity

		Unaudited						
		Attributable to owners of the Company						
	Note	Share capital and premium RMB'000 (Note 21)	Shares held for employee share scheme RMB'000	Other reserves RMB'000 (Note 22)	(Accumulated losses)/ retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at January 1, 2021		7,123,502	-*	(2,747,909)	(107,826)	4,267,767	73,610	4,341,377
Comprehensive income								
Profit for the period		-	-	-	197,604	197,604	7,547	205,151
Total comprehensive income for the period		-	-	-	197,604	197,604	7,547	205,151
Transactions with owners in their capacity as owners								
Share-based compensation	9	-	-	9	-	9	-	9
Exercise of employee share scheme		33,494	-*	(33,494)	-	-	-	-
Dividends	30	-	-	-	(74,081)	(74,081)	-	(74,081)
Non-controlling interests arising from business combination	24	-	-	-	-	-	3,574	3,574
Total transactions with owners in their capacity as owners		33,494	-	(33,485)	(74,081)	(74,072)	3,574	(70,498)
Balance at June 30, 2021		7,156,996	-	(2,781,394)	15,697	4,391,299	84,731	4,476,030

* The balance represents an amount less than RMB1,000.

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Changes in Equity

		Unaudited						
		Attributable to owners of the Company						
	Note	Share capital and premium *RMB'000* *(Note 21)*	Shares held for employee share scheme *RMB'000*	Other reserves *RMB'000* *(Note 22)*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total (deficits)/equity *RMB'000*
Balance at January 1, 2020		2,731,464	–*	(2,680,702)	(253,368)	(202,606)	–	(202,606)
Comprehensive income								
Profit for the period		–	–	–	2,356	2,356	–	2,356
Total comprehensive income for the period		–	–	–	2,356	2,356	–	2,356
Transactions with owners in their capacity as owners								
Share-based compensation		–	–	4,063	–	4,063	–	4,063
Conversion from redeemable shares into ordinary shares pursuant to Initial Public Offering ("IPO")		2,107,892	–	–	–	2,107,892	–	2,107,892
Exercise of employee share scheme		62,563	–	(29,188)	–	33,375	–	33,375
Shares issued pursuant to the IPO		2,024,255	–	–	–	2,024,255	–	2,024,255
Share issuance cost		(89,263)	–	–	–	(89,263)	–	(89,263)
Non-controlling interests arising on exercise of employee share scheme		–	–	(66,634)	–	(66,634)	66,634	–
Total transactions with owners in their capacity as owners		4,105,447	–*	(91,759)	–	4,013,688	66,634	4,080,322
Balance at June 30, 2020		6,836,911	–*	(2,772,461)	(251,012)	3,813,438	66,634	3,880,072

* The balance represents an amount less than RMB1,000.

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Cash Flows

	Notes	Unaudited Six months ended June 30 2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash generated from operations		**196,935**	150,836
Interest received		**1,102**	197
Income tax paid		**(35,035)**	(24,240)
Net cash generated from operating activities		**163,002**	126,793
Cash flows from investing activities			
Purchases of property, plant and equipment		**(250,493)**	(156,318)
Proceeds from disposal of property, plant and equipment and intangible assets		**1,280**	1,696
Purchases of intangible assets		**(1,235)**	(687)
Payments for acquisition of subsidiaries, net of cash acquired		**(1,713,836)**	–
Payments for purchases of financial assets at fair value through profit or loss	3	**(2,558,830)**	(1,851,850)
Proceeds from disposal of financial assets at fair value through profit or loss	3	**3,765,349**	1,855,238
Net cash used in investing activities		**(757,765)**	(151,921)
Cash flows from financing activities			
Payment for listing expenses		**–**	(72,901)
Borrowing interest paid		**(4,009)**	–
Repayments of bank borrowings		**(70,000)**	–
Proceeds from bank borrowings		**986,845**	–
Payments of lease liabilities		**(1,135)**	(713)
Repayment and advance to related parties		**–**	(11,904)
Dividends paid to the Company's shareholders		**–**	(70,000)
Proceed from insurance of new ordinary shares pursuant to the IPO		**–**	2,024,255
Net cash generated from financing activities		**911,701**	1,868,737
Net increase in cash and cash equivalents		**316,938**	1,843,609
Effect on exchange rate difference		**(2,923)**	(205)
Cash and cash equivalents at beginning of the period		**385,104**	393,409
Cash and cash equivalents at end of the period		**699,119**	2,236,813

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Interim Financial Information

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

1.1 General information

The Company was incorporated in the Cayman Islands on September 12, 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Harneys Fiduciary (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "Group") are principally engaged in the following businesses in the People's Republic of China (the "PRC").

(i) Provision of healthcare services (the "Hospital Business") through self-owned private for-profit hospitals which are variable interest entities owned by the Group by undertaking a group reorganization (the "VIE Hospitals")

(ii) (a) Provision of radiotherapy center consulting services;

(b) Licensing of radiotherapy equipment for use in the radiotherapy centers; and

(c) Provision of maintenance and technical support services in relation to radiotherapy equipment (the "Radiotherapy Business")

(iii) Provision of management services to private not-for-profit hospitals (the "Hospital Management Business")

These businesses are controlled by Mr. Zhu Yiwen (朱義文, "Mr. Zhu").

The Company completed its IPO and listed its shares on Main Board of the Stock Exchange of Hong Kong Limited ("HKSE") on June 29, 2020.

The interim condensed consolidated financial information is presented in Renminbi ("RMB") and rounded to nearest thousand yuan, unless otherwise stated.

1.2 Basis of preparation

This interim financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The interim financial information does not include all the notes of the type normally included in an annual financial report and thus should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and any public announcements made by the Company during the six months ended June 30, 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended December 31, 2020, as described in those annual financial statements, except for the adoption of new and amended standards as set out below.

The preparation of interim financial information in conformity with International Accounting Standard 34 "Interim Financial Reporting" requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the interim financial information are disclosed in Note 4.

2.1 Amendments to IFRSs effective for the financial year beginning on or after January 1, 2021 but do not have a material impact on the Group

		Effective for annual periods beginning on or after
Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	January 1, 2021

2.2 New standards and interpretations not yet been adopted

Standards, amendments and interpretations that have been issued but not yet effective have not been early adopted by the Group, are as follows:

		Effective for annual periods beginning on or after
Amendments to IFRS 3	Reference to the conceptual framework	January 1, 2022
Amendments to IAS 37	Cost of fulfilling a contract	January 1, 2022
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use	January 1, 2022
Annual improvements project	Annual improvements 2018–2020 cycle	January 1, 2022
Amendments to IAS 1	Classification of liabilities as current or non-current	January 1, 2023
IFRS 17	Insurance contracts	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 New standards and interpretations not yet been adopted (Continued)

The Group has already commenced an assessment of the impact of these new or revised standards, and amendments. According to the preliminary assessment made by the directors, no significant impact on the financial performance and positions of the Group is expected when they become effective.

2.3 Employee benefits

Pension obligations

A subsidiary of the Group operates a supplementary defined contribution retirement benefit plans (the "Corporate Pension Plan"). Contributions are made based on certain fixed amounts and are expensed as incurred. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of the Corporate Pension Plan are held separately by a PRC insurance company. If the employee leaves employment prior to the contributions vesting fully, part of the contributions are refunded to the Group, in accordance with the rules of the Corporate Pension Plan.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow, fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

The interim financial information does not include all financial risk management information and disclosures required in the interim financial information, and should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2020.

There have been no significant changes in the risk management policies since December 31, 2020.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.1 Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The Group's businesses are principally conducted in RMB. The majority of assets is denominated in RMB. The majority of non-RMB assets and liabilities are bank deposits, borrowings and other payables denominated in USD. The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective dates of consolidated statements of financial position are as follows:

	As at June 30, 2021 ***RMB'000*** **(Unaudited)**	As at December 31, 2020 *RMB'000* (Audited)
Assets		
USD	**8,291**	882
Others	**110**	38
	8,401	920
Liabilities		
USD	**1,016,449**	–

If the RMB had strengthened/weakened by 5% against the USD with all other variables held constant, the pre-tax profit for the six months ended June 30, 2021 and the year ended December 31, 2020 would have been approximately RMB50,408,000 higher/lower and RMB44,000 lower/higher.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.1 Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

Financial liabilities issued at variable rates expose the Group to cash flow interest-rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest-rate risk. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

Other than interest-bearing short-term deposits, the Group has no other significant interest-bearing assets. The directors of the Company do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of short-term deposits are not expected to change significantly.

As at June 30, 2021 and December 31, 2020, bank borrowings of the Group which were bearing at floating rates amounted to approximately RMB981,935,000 and nil. For the six months ended June 30, 2021, if the floating interest rate on borrowings had been higher/lower by 0.5% with all other variables held constant, the pre-tax profit would have been RMB734,000 lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings.

(iii) Price risk

The Group is exposed to price risk in respect of financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from the investments, the Group diversifies its portfolio. Each investment is managed by senior management on a case by case basis. The sensitivity analysis is performed by management, see Note 3.3 for detail.

3.1.2 Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables, amounts due from related parties and cash deposits at banks. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage this risk, cash deposits are mainly placed with state-owned financial institutions in the PRC and reputable international financial institutions outside the PRC. There has been no recent history of default in relation to these financial institutions.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

The Group's trade receivables are mainly from providing medical service to patients as well as providing services to the radiotherapy centers and trustee hospitals. The Group, being a provider of healthcare service to patients, has a highly diversified customer base, without any single customer contributing material revenue. However, the Group has concentrated debtor's portfolio, as majority patients will claim their medical bill from public medical insurance program. The reimbursement from these organizations may take one to twelve months. The Group has policy in place to ensure the treatments and medicines prescribed and provided to such insured patients are in line with respective organizations' policy, provided fulfilling all ethics and moral responsibilities as a healthcare provider. The Group also has controls to closely monitor the patients' billings and claim status to minimise the credit risk. For the receivables from the Radiotherapy and trustee hospitals, the Group has grant credit term of 0–90 days and would follow up actively on the settlement with respective counter-parties to avoid any overdue receivables.

For other receivables and amounts due from related parties, management makes periodic collective assessments as well as individual assessment on the recoverability of such receivables based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables and amounts due from related parties as the Group closely monitors their repayment.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

– internal credit rating

– external credit rating

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations

– actual or expected significant changes in the operating results of the debtor

– significant increases in credit risk on other financial instruments of the same debtor

– significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtors in the Group and changes in the operating results of the debtor

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 90 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are more than 365 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are more than 2 years past due and there is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

(i) Trade receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The historical loss rates for each aging bucket are derived base on the probability of a receivable progressing through successive stages of delinquency to write-off.

The historical loss rates are adjusted to expected loss rates to reflect current and forward-looking information on macroeconomic factors affecting the ability of the counterparty to settle the receivables.

The directors of the Company use roll rate method to assess the expected credit loss rate and assume that trade receivables will experience loss when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, a failure to make contractual payments for a period of greater than 2 years since invoice date. Based on the roll rate model built, the directors of the company considered that the expected credit loss of trade receivables is immaterial.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(ii) Other receivables and amounts due from related parties

Other receivables at amortized cost mainly include deposits receivables and advance to employees.

As at December 31, 2020 and June 30, 2021, the directors of the Company considered that other receivables were performing and within stage 1. The Group considered the 12-month expected credit losses of the other receivables are immaterial.

3.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic nature of the Group, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

The table below sets out the Group's financial liabilities grouped into relevant maturity groupings based on their contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Carrying Amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at June 30, 2021 (Unaudited)						
Trade and other payables excluding non-financial liabilities	**323,914**	**–**	**–**	**–**	**323,914**	**323,914**
Lease liabilities	**1,100**	**426**	**213**	**–**	**1,739**	**1,657**
Borrowings	**40,907**	**77,586**	**917,141**	**–**	**1,035,634**	**996,935**
Total	**365,921**	**78,012**	**917,354**	**–**	**1,361,287**	**1,322,506**
As at December 31, 2020 (Audited)						
Trade and other payables excluding non-financial liabilities	166,324	–	–	–	166,324	166,324
Lease liabilities	1,774	426	426	–	2,626	2,484
Total	168,098	426	426	–	168,950	168,808

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents. Total capital includes the capital (including "equity" as shown in the interim condensed consolidated statements of financial position) plus net debts. As at June 30, 2021 and December 31, 2020, the gearing ratio of the Group were as follows:

	As at June 30, 2021 ***RMB'000*** **(Unaudited)**	As at December 31, 2020 *RMB'000* (Audited)
Net debt	**299,473**	(382,620)
Total capital	**4,775,503**	3,958,757
Gearing ratio	**6%**	Not applicable

3.3 Fair value estimation

The Group made judgements and estimates in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

As at December 31, 2020 and June 30, 2021, the Group had no level 1 and 2 financial instruments.

There were no changes in valuation techniques during the year ended December 31, 2020 and six months ended June 30, 2021.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year ended December 31, 2020 and six months ended June 30, 2021.

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

The valuation of the level 3 instruments mainly included financial assets at fair value through profit or loss. As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including discounted cash flows approach.

(a) The following table presents the changes in level 3 instruments during the period.

	For the six months ended June 30, 2021 *RMB'000* **(Unaudited)**	For the year ended December 31, 2020 *RMB'000* (Audited)
Balance at beginning of the period/year	**2,196,926**	–
Additions	**2,558,830**	6,810,870
Changes in fair value	**29,633**	43,108
Disposals	**(3,765,349)**	(4,657,052)
Balance at end of the period/year	**1,020,040**	2,196,926

The unobservable inputs of wealth management products are expected return rate and discounted rate. The higher the expected return rate, the higher the fair value; the higher the discounted rate, the lower the fair value. The expected annual return rate of the investments in wealth management products with floating rate range 0.80% to 3.80% for the six months ended June 30, 2021. If the fair value of financial assets at fair value through profit or loss held by the Group had been 1% higher/lower, the profit before income tax for six months ended June 30, 2021 would have been approximately RMB10,200,000 higher/lower.

The carrying amounts of the Group's financial assets and liabilities, including cash and cash equivalents, amounts due from related parties, trade and other receivables (excluding prepayments), trade and other payables (excluding non-financial liabilities), and amounts due to related parties approximated their fair values due to their short maturities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim financial information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Impairment assessment of goodwill

The Group performed impairment assessment at each balance sheet date to assess whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units ("CGU") have been determined based on value-in-use calculations. These calculations require the use of estimates and judgements. The key assumptions used in the value-in-use calculations were: compound growth rate of revenue, cost and operating expense as percentage of revenue, long-term growth rate and pre-tax discount rate. Changes in the conditions for these estimates and assumptions can significantly affect the assessed result of goodwill impairment test.

Based on management's assessment, no material adverse indication shows that goodwill has suffered any impairment during the six months ended June 30, 2020 and 2021.

(b) Assessment of controls over Not-for-profit hospitals founded by the Group

Handan Zhaotian Orthopedic Hospital, Handan Renhe Hospital and Kaiyuan Jiehua Hospital, three not-for-profit hospitals, were founded by the Group. Despite the fact that the Group founded the hospitals, the Group is not entitled to the dividend of the three hospitals in accordance with relevant PRC rules and regulation. The Group has entered into agreements with the three hospitals in which the Group obtains contractual rights to provide management services of the three not-for-profit hospitals for certain periods and is entitled to receive performance-based management fees.

The Group has exercised significant judgements in determining whether the Group has control over the three hospitals. In exercising such judgement, the Group considers the purpose and design of the hospitals, what the relevant activities are and how decisions about those activities are made, whether the rights of the Group give the current ability to direct the relevant activities, whether rights exercisable by other parties as internal governance body members are substantive, whether the Group is exposed, or has rights, to variable returns from its involvement with the three hospitals, and whether the Group has the ability to use its power over the three hospitals to affect the amount of the Group's returns.

After assessment, the management has concluded that the Group does not have the decision-making power over internal governance body to direct the relevant activities of the three not-for-profit hospitals, so the Group does not control and thus does not consolidate the three not-for-profit hospitals. Instead, the Group receives service income from the three hospitals through management contracts.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Impairment assessment of contractual rights

As at June 30, 2021, the carrying amount of contractual rights to provide management services to three not-for-profit hospitals, Handan Zhaotian Orthopedic Hospital, Handan Renhe Hospital and Kaiyuan Jiehua Hospital, was RMB49,594,000 (December 31, 2020: RMB50,382,000). The Group performed impairment assessment to assess whether these assets have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Taking into account that Handan Zhaotian Orthopedic Hospital delays its reopening plan from January 2021 to January 2022, the management performed review for impairment of the CGU. The recoverable amount of the CGU with the contractual rights to provide management services is determined based on value-in-use calculation and the calculation of this method required the use of significant estimates and assumptions on the projections of cash flows from the continuous use of contractual rights to provide management services.

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Based on management's assessment, no material adverse indication shows that contractual rights have suffered any impairment during the six months ended June 30, 2020 and 2021.

(d) Current and deferred income taxes

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

For temporary differences which give rise to deferred tax assets, the Group assesses the likelihood that the deferred income tax assets may be recovered. Deferred tax assets are recognized based on the Group's estimates and assumptions that they will be recovered from taxable income arising from continuing operations in the foreseeable future.

5 SEGMENT INFORMATION AND REVENUE

(a) Description of segments and principal activities

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions. As a result of this evaluation, the Group determined that it has operating segments as follows:

– Hospital Business

– Radiotherapy Business

– Hospital Management Business

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

(a) Description of segments and principal activities (Continued)

The CODM assesses the performance of the operating segments mainly based on segment revenues, segment cost of sales, gross profit, and operating profit/(loss). Interest expenses of redeemable shares and income tax expense are not allocated to individual operating segments. The CODM assesses the performance of each segment based on a measure of segment profit primarily. Assets and liabilities dedicated to a particular segment's operations are included in that segment's total assets and liabilities. Assets and liabilities are regularly reviewed on a consolidated basis.

The revenues from external customers reported to CODM are measured as segment revenues, which are the revenues derived from customers of each segment.

	Unaudited				
	Six months ended June 30, 2021				
	Hospital Business *RMB'000*	Radiotherapy Business *RMB'000*	Hospital Management Business *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Revenue	850,788	76,997	3,916	–	931,701
Cost of revenue	(588,189)	(27,493)	(1,042)	–	(616,724)
Gross profit	262,599	49,504	2,874	–	314,977
Selling expenses	(9,042)	–	–	–	(9,042)
Administrative expenses	(54,570)	(8,814)	–	(13,263)	(76,647)
Other income	2,455	3,998	–	1,017	7,470
Other gains/(losses) – net	523	(1,801)	–	26,670	25,392
Segment profit	201,965	42,887	2,874	14,424	262,150
Finance income					1,102
Finance costs					(4,889)
Finance costs – net					(3,787)
Profit before income tax					258,363
Other segment information					
Depreciation of property, plant, and equipment	36,464	6,107	–	1,155	43,726
Amortization of intangible assets	2,326	–	788	213	3,327

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

(a) Description of segments and principal activities (Continued)

	Unaudited				
	Six months ended June 30, 2020				
	Hospital Business *RMB'000*	Radiotherapy Business *RMB'000*	Hospital Management Business *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Revenue	555,852	72,897	3,511	–	632,260
Cost of revenue	(389,135)	(25,804)	(1,031)	–	(415,970)
Gross profit	166,717	47,093	2,480	–	216,290
Selling expenses	(5,878)	–	–	–	(5,878)
Administrative expenses	(40,035)	(6,361)	–	(32,232)	(78,628)
Other income	1,561	36	–	3,723	5,320
Other losses – net	(217)	(851)	–	(54,971)	(56,039)
Segment profit/(loss)	122,148	39,917	2,480	(83,480)	81,065
Finance income					197
Finance costs					(48,097)
Finance costs – net					(47,900)
Profit before income tax					33,165
Other segment information					
Depreciation of property, plant, and equipment	29,204	4,729	–	900	34,833
Amortization of intangible assets	1,654	–	788	45	2,487

Notes to the Interim Financial Information

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

(a) Description of segments and principal activities (Continued)

	Hospital Business *RMB'000*	Radiotherapy Business *RMB'000*	Hospital Management Business *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
As at June 30, 2021 (Unaudited)					
Assets					
Segment Assets	2,427,215	774,306	49,595	1,201,607	4,452,723
Goodwill	1,749,394	–	–	–	1,749,394
Deferred income tax assets					12,319
Total Assets					6,214,436
Liabilities					
Segment Liabilities	1,513,388	27,276	–	106,913	1,647,577
Deferred income tax liabilities					90,829
Total Liabilities					1,738,406
Other segment information					
Additions of non-current assets except for goodwill and deferred income tax assets	411,636	7,316	–	8,332	427,284
As at December 31, 2020 (Audited)					
Assets					
Segment Assets	1,695,370	438,307	50,382	2,204,619	4,388,678
Goodwill	300,338	–	–	–	300,338
Deferred income tax assets					12,289
Total Assets					4,701,305
Liabilities					
Segment Liabilities	235,949	45,702	–	34,678	316,329
Deferred income tax liabilities					43,599
Total Liabilities					359,928
Other segment information					
Additions of non-current assets except for goodwill and deferred income tax assets	300,554	12,978	–	3,724	317,256

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

(b) Revenue by business line and nature:

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Hospital Business		
– Outpatient healthcare services	**271,896**	159,584
– Inpatient healthcare services	**578,892**	396,268
Radiotherapy Business		
– Radiotherapy center consulting services	**26,061**	23,583
– Radiotherapy equipment licensing	**29,793**	26,600
– Radiotherapy equipment maintenance services	**21,143**	22,714
Hospital Management Business		
– Hospital management services	**3,916**	3,511
Total revenue	**931,701**	632,260
Including revenue from contracts with customers	**901,908**	605,660

The Group derives revenue from the transfer of goods and services over time and at a point in time as follows:

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
– Inpatient healthcare services	**40,149**	27,071
– Radiotherapy center consulting service	**26,061**	23,583
– Radiotherapy equipment maintenance service	**14,474**	13,487
– Hospital management services	**3,916**	3,511
Over time	**84,600**	67,652
– Inpatient healthcare services	**538,743**	369,197
– Outpatient healthcare services	**271,896**	159,584
– Radiotherapy equipment maintenance service	**6,669**	9,227
At a point in time	**817,308**	538,008
Revenue from contracts with customers	**901,908**	605,660

(c) Geographical information

The Company is domiciled in the Cayman Islands while the Group's non-current assets and revenues are substantially located in and derived from the PRC, therefore, no geographical segments are presented.

5 SEGMENT INFORMATION AND REVENUE (CONTINUED)

(d) Information about major customers

All the revenues derived from single external customers were less than 10% of the Group's total revenues during the period.

6 OTHER INCOME

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Government grants (a)	**5,798**	4,894
Others	**1,672**	426
	7,470	5,320

(a) The government grants include those grants from the local government in recognition of the contribution of the Group to local economy's development and those asset-related subsidies credited to the consolidated statement of comprehensive income on a straight-line basis over the expected useful lives of the related assets (Note 25).

7 OTHER GAINS/(LOSSES) – NET

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Realised and unrealised gains on financial assets at fair value through profit or loss	**29,633**	3,388
Effect of deferral of the redemption date of redeemable shares	**–**	(57,852)
Losses on disposal of property, plant and equipment	**(2,409)**	(1,094)
Net foreign exchange losses	**(2,923)**	(205)
Others	**1,091**	(276)
	25,392	(56,039)

8 EXPENSES BY NATURE

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Employee benefits expenses *(Note 9)*	**269,786**	192,053
Cost of pharmaceuticals, consumables and other inventories	**248,195**	152,373
Depreciation and amortization *(Notes 13 and 14)*	**47,053**	37,320
Radiotherapy service fees	**35,590**	32,597
Expenses in relation to the listing	**–**	22,856
Consultancy and professional service fees	**48,190**	23,317
Utilities, cleaning and afforestation expenses	**15,024**	11,212
Travelling, entertainment, vehicle and office expenses	**11,176**	10,180
Repair and maintenance	**4,597**	2,777
Taxation expenses	**2,473**	2,665
Marketing and promotion	**3,631**	1,829
Rental expenses	**247**	1,337
Auditor's remuneration		
– Audit	**1,000**	900
– Non-audit	**–**	–
Other expenses	**15,451**	9,060
	702,413	500,476

9 EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses are analysed as follows:

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries, wages and bonuses	**243,685**	172,660
Employer's contribution to retirement benefit plan (a)	**13,742**	5,948
Allowances and benefits in kind	**12,350**	9,382
Share-based compensation expenses	**9**	4,063
	269,786	192,053

(a) The Group has participated in:

(i) Certain defined contribution retirement benefit plans organised by the local governments in the PRC for its employees in the PRC. The Group is required to make monthly defined contributions to these plans based on certain percentage of the basic salary of employees and no available forfeiture to the Group to reduce the level of the Group's contributions if the employees resigned from the Group;

(ii) Under the Corporate Pension Plan, the Group's existing level of contribution can be reduced by contribution forfeited by the Group on behalf of the employees who leave the plan prior to vesting fully in the contribution. No forfeited contributions (the six months ended June 30, 2020: not applicable) was utilised during the six months ended June 30, 2021 and leaving RMB112,000 available at June 30, 2021 to reduce future contributions.

No contributions (December 31, 2020: not applicable) was payable to the Corporate Pension Plan as at June 30, 2021.

10 FINANCE COSTS – NET

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance income:		
Interest income of bank savings	**1,102**	197
Finance costs:		
Interest expenses on borrowings	**(4,821)**	–
Interest expenses on leasing liabilities	**(68)**	(68)
Interest expenses of redeemable shares	**–**	(48,029)
	(4,889)	(48,097)
Finance costs – net	**(3,787)**	(47,900)

11 INCOME TAX EXPENSE

(a) Income tax expense

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
– PRC corporate income tax	**41,511**	23,601
Deferred income tax *(Note 15)*	**11,701**	7,208
	53,212	30,809

The Group's principal applicable taxes and tax rates are as follows:

Cayman Islands

Under the prevailing laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, no Cayman Islands withholding tax is payable on dividend payments by the Company to its shareholders.

British Virgin Islands

The Group's entity incorporated in the British Virgin Islands is not subject to tax on income or capital gains.

Hong Kong

The Group's entity incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5%.

11 INCOME TAX EXPENSE (CONTINUED)

(a) Income tax expense (Continued)

PRC corporate income tax ("CIT")

CIT was made on the estimated assessable profits of the entities within the Group incorporated in the PRC and was calculated in accordance with the relevant tax rules and regulations of the PRC after considering the available tax refunds and allowances. The general CIT rate is 25%.

The Company's subsidiary, Chongqing Hygeia Hospital was established in Chongqing. Pursuant to the relevant laws and regulations, Chongqing Hygeia Hospital is subject to a tax concession rate of 15% from 2018 to 2021.

The Company's subsidiary, Shanghai Gamma Star Technology Development Co., Ltd. ("Gamma Star Tech"), was approved as "High and New Technology Enterprise" on November 12, 2020 (valid for 3 years). Under the relevant tax rules and regulations of the PRC, and accordingly, Gamma Star Tech is subjected to a reduced preferential CIT rate of 15% during the period. Based on management's self-assessment and their track record of success in obtaining such types of qualifications, Gamma Star Tech will qualify as a "High and New Technology Enterprise" after the expire date and thus will further be subjected to a 15% preferential tax rate.

Withholding tax on undistributed profits

According to the relevant tax rules and regulations of the PRC, distribution to foreign investors of profits earned by PRC companies since January 1, 2008 is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investors' foreign incorporated immediate holding companies. As at June 30, 2021, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside the PRC, for which no deferred income tax liability had been provided, were approximately RMB335,424,000 (As at December 31, 2020: RMB94,908,000). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future based on management's best estimates of the Group's overseas funding requirements.

(b) Numerical reconciliation of income tax expense

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before income tax	**258,363**	33,165
Tax calculated at applicable statutory tax rate of 25%	**64,591**	8,291
Effect of differential tax rates	**(10,756)**	21,739
Items not deductible for tax purposes	**227**	1,280
Utilisation of previously unrecognised tax losses	**(126)**	–
Tax preference	**(724)**	(501)
	53,212	30,809

12 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of outstanding shares in issue during the six months ended June 30, 2020 and 2021.

	Six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	**197,604**	2,356
Weighted average number of shares in issue	**618,000,000**	280,582,029
Basic earnings per share (in RMB)	**0.32**	0.01

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As the inclusion of interest expenses on redeemable shares would increase the profit for the six months ended June 30, 2020, those redeemable shares were not included in the calculation of the diluted earnings per share as their inclusion would be anti-dilutive.

	Six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	**197,604**	2,356
Adjustments for the dilution effect of a subsidiary's restricted share scheme (RMB'000)	**–**	(656)
Diluted profit attributable to owners of the Company (RMB'000)	**197,604**	1,700
Weighted average number of shares in issue	**618,000,000**	280,582,029
Adjustments for restricted share scheme	**–**	4,220,184
Weighted average number of shares for calculating diluted earnings per share	**618,000,000**	284,802,213
Diluted earnings per share (in RMB)	**0.32**	0.01

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Right-of-use for properties *RMB'000*	Right-of-use for lands *RMB'000*	Medical equipment *RMB'000*	Transportation equipment *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At December 31, 2020 (Audited):									
Cost	636,179	7,372	362,686	500,693	9,540	42,850	8,681	71,069	1,639,070
Accumulated depreciation	(61,410)	(5,112)	(26,362)	(152,368)	(3,853)	(20,542)	(3,573)	–	(273,220)
Closing net book amount	574,769	2,260	336,324	348,325	5,687	22,308	5,108	71,069	1,365,850
Six months ended June 30, 2021 (Unaudited):									
Opening net book amount	574,769	2,260	336,324	348,325	5,687	22,308	5,108	71,069	1,365,850
Additions	580	–	82,799	47,680	1,836	4,844	882	136,670	275,291
Acquisition of subsidiaries	241,595	294	63,035	47,482	1,169	4,003	14,124	2,579	374,281
Transfers upon completion	1,571	–	–	17,804	–	–	–	(19,375)	–
Disposals	(68)	–	–	(3,551)	–	(70)	–	–	(3,689)
Depreciation	(7,986)	(1,064)	(4,142)	(25,765)	(866)	(4,067)	(1,388)	–	(45,278)
Closing net book amount	810,461	1,490	478,016	431,975	7,826	27,018	18,726	190,943	1,966,455
At June 30, 2021 (Unaudited):									
Cost	879,853	7,666	508,520	604,915	12,545	51,578	23,687	190,943	2,279,707
Accumulated depreciation	(69,392)	(6,176)	(30,504)	(172,940)	(4,719)	(24,560)	(4,961)	–	(313,252)
Closing net book amount	810,461	1,490	478,016	431,975	7,826	27,018	18,726	190,943	1,966,455

Notes to the Interim Financial Information

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings *RMB'000*	Right-of-use for properties *RMB'000*	Right-of-use for lands *RMB'000*	Medical equipment *RMB'000*	Transportation equipment *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At December 31, 2019 (Audited):									
Cost	622,302	6,218	207,464	436,379	7,110	39,318	8,000	3,034	1,329,825
Accumulated depreciation	(43,800)	(3,686)	(20,365)	(120,945)	(2,575)	(13,934)	(2,059)	–	(207,364)
Closing net book amount	578,502	2,532	187,099	315,434	4,535	25,384	5,941	3,034	1,122,461
Six months ended June 30, 2020 (Unaudited):									
Opening net book amount	578,502	2,532	187,099	315,434	4,535	25,384	5,941	3,034	1,122,461
Additions	819	–	–	25,684	923	1,212	152	112,197	140,987
Transfers upon completion	6,605	–	94,996	–	–	–	–	(101,601)	–
Disposals	(1,357)	–	–	(1,136)	(72)	(15)	(210)	–	(2,790)
Depreciation	(10,994)	(651)	(2,711)	(16,316)	(644)	(3,278)	(713)	–	(35,307)
Closing net book amount	573,575	1,881	279,384	323,666	4,742	23,303	5,170	13,630	1,225,351
At June 30, 2020 (Unaudited):									
Cost	628,369	6,218	302,460	456,906	7,922	40,473	7,942	13,630	1,463,920
Accumulated depreciation	(54,794)	(4,337)	(23,076)	(133,240)	(3,180)	(17,170)	(2,772)	–	(238,569)
Closing net book amount	573,575	1,881	279,384	323,666	4,742	23,303	5,170	13,630	1,225,351

Depreciation of the Group's property, plant and equipment has been recognized in the interim condensed consolidated statements of comprehensive income as follows:

	Six months ended June 30,	
	2021 ***RMB'000*** **(Unaudited)**	2020 *RMB'000* (Unaudited)
Cost of sales	**32,230**	25,157
Administrative expenses	**11,496**	9,676
Capitalization	**1,552**	474
	45,278	35,307

14 INTANGIBLE ASSETS

	Goodwill RMB'000	Software RMB'000	Contractual rights to provide management services RMB'000	Medical licenses RMB'000	Total RMB'000
At December 31, 2020 (Audited):					
Cost	300,338	14,105	68,028	28,500	410,971
Accumulated amortization and impairment	–	(5,399)	(17,646)	(4,986)	(28,031)
Net book amount	300,338	8,706	50,382	23,514	382,940
Six months ended June 30, 2021 (Unaudited):					
Opening net book amount	300,338	8,706	50,382	23,514	382,940
Additions	–	1,029	–	–	1,029
Acquisition of subsidiaries	1,449,056	6,538	–	39,401	1,494,995
Amortization	–	(1,780)	(788)	(759)	(3,327)
Net book amount	1,749,394	14,493	49,594	62,156	1,875,637
At June 30, 2021 (Unaudited):					
Cost	1,749,394	21,672	68,028	67,901	1,906,995
Accumulated amortization and impairment	–	(7,179)	(18,434)	(5,745)	(31,358)
Net book amount	1,749,394	14,493	49,594	62,156	1,875,637
At December 31, 2019 (Audited):					
Cost	300,338	11,455	68,028	28,500	408,321
Accumulated amortization and impairment	–	(2,508)	(16,071)	(4,036)	(22,615)
Net book amount	300,338	8,947	51,957	24,464	385,706
Six months ended June 30, 2020 (Unaudited):					
Opening net book amount	300,338	8,947	51,957	24,464	385,706
Additions	–	687	–	–	687
Amortization	–	(1,224)	(788)	(475)	(2,487)
Net book amount	300,338	8,410	51,169	23,989	383,906
At June 30, 2020 (Unaudited):					
Cost	300,338	12,142	68,028	28,500	409,008
Accumulated amortization and impairment	–	(3,732)	(16,859)	(4,511)	(25,102)
Net book amount	300,338	8,410	51,169	23,989	383,906

14 INTANGIBLE ASSETS (CONTINUED)

Amortization of the Group's intangible assets has been recognized in the interim condensed consolidated statements of comprehensive income as follows:

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of sales	**2,150**	2,437
Administrative expenses	**1,177**	50
	3,327	2,487

15 DEFERRED INCOME TAX

	As at June 30, 2021	As at December 31, 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Deferred tax assets		
– to be realised within 12 months	**3,488**	6,438
– to be realised after more than 12 months	**11,071**	8,549
	14,559	14,987
Deferred tax liabilities		
– to be realised within 12 months	**5,183**	2,637
– to be realised after more than 12 months	**87,886**	43,660
	93,069	46,297

15 DEFERRED INCOME TAX (CONTINUED)

(i) Deferred tax assets

The analysis of deferred tax assets is as follows:

	As at June 30, 2021 *RMB'000* **(Unaudited)**	As at December 31, 2020 *RMB'000* (Audited)
The balance comprises temporary differences attributable to:		
Tax losses	**11,391**	12,189
Employee benefits	**120**	118
Provisions	**1,213**	1,182
Unrealised gains	**1,210**	854
Impairment of intangible assets	**625**	644
Total deferred tax assets	**14,559**	14,987
Set-off of deferred tax liabilities pursuant to set-off provisions	**(2,240)**	(2,698)
Net deferred tax assets	**12,319**	12,289

	Tax losses *RMB'000*	Employee benefits *RMB'000*	Provisions *RMB'000*	Unrealised gains *RMB'000*	Impairment of intangible assets *RMB'000*	Total *RMB'000*
As at January 1, 2021	**12,189**	**118**	**1,182**	**854**	**644**	**14,987**
– (Charged)/credit to profit or loss	**(798)**	**2**	**31**	**356**	**(19)**	**(428)**
As at June 30, 2021 (Unaudited)	**11,391**	**120**	**1,213**	**1,210**	**625**	**14,559**
As at January 1, 2020	24,016	61	1,148	762	661	26,648
– (Charged)/credit to profit or loss	(4,022)	(61)	43	85	(9)	(3,964)
As at June 30, 2020 (Unaudited)	19,994	–	1,191	847	652	22,684

15 DEFERRED INCOME TAX (CONTINUED)

(ii) Deferred tax liabilities

The analysis of deferred tax liabilities is as follows:

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
The balance comprises temporary differences attributable to:		
Intangible assets	**15,537**	5,877
Property, plant and equipment	**77,532**	40,420
Total deferred tax liabilities	**93,069**	46,297
Set-off of deferred tax assets pursuant to set-off provisions	**(2,240)**	(2,698)
Net deferred tax liabilities	**90,829**	43,599

	Property, plant and equipment RMB'000	Intangible assets RMB'000	Total RMB'000
At January 1, 2021	**40,420**	**5,877**	**46,297**
– Acquisition of subsidiaries	**25,650**	**9,849**	**35,499**
– Charged/(credit) to profit or loss	**11,462**	**(189)**	**11,273**
At June 30, 2021 (Unaudited)	**77,532**	**15,537**	**93,069**
At January 1, 2020	35,128	6,116	41,244
– Charged/(credit) to profit or loss	3,363	(119)	3,244
At June 30, 2020 (Unaudited)	38,491	5,997	44,488

16 INVENTORIES

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Pharmaceuticals	**43,939**	26,116
Medical consumables	**26,057**	21,456
Spare parts	**2,935**	3,385
	72,931	50,957

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at June 30, 2021 *RMB'000* (Unaudited)	As at December 31, 2020 *RMB'000* (Audited)
Wealth management products	275,778	1,505,170
Structured deposit products	352,096	691,756
Deposit certificate	392,166	–
	1,020,040	2,196,926

As part of the Group's cash management to maximise return on idle cash, the Group invested in certain principal-protected structured deposit products, wealth management products and deposit certificate issued by several PRC commercial banks.

The structured deposit products and wealth management products of banks are denominated in RMB, with expected rates of returns ranging from 0.80% to 3.80% per annum for the period ended June 30, 2021 (2020: 0.35%–7.31%).

The deposit certificate purchased from a PRC commercial bank is denominated in RMB, earning interest at a fixed rate of 3.70% per annum with original maturity period of 36 months. The deposit certificate was transferrable but unredeemable.

18 FINANCIAL INSTRUMENTS BY CATEGORY

	As at June 30, 2021 *RMB'000* (Unaudited)	As at December 31, 2020 *RMB'000* (Audited)
Financial assets		
Financial assets at amortized cost:		
Cash and cash equivalents *(Note 20)*	699,119	385,104
Amounts due from related parties *(Note 31)*	20,611	12,824
Trade and other receivables excluding non-financial assets *(Note 19)*	381,069	267,687
	1,100,799	665,615
Financial assets at fair value through profit or loss	1,020,040	2,196,926
	2,120,839	2,862,541
Financial liabilities		
Liabilities at amortized cost:		
Borrowings *(Note 23)*	996,935	–
Trade and other payables excluding non-financial liabilities *(Note 28)*	323,914	166,324
Lease liabilities *(Note 26)*	1,657	2,484
	1,322,506	168,808

19 TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	As at June 30, 2021 *RMB'000* (Unaudited)	As at December 31, 2020 *RMB'000* (Audited)
Included in current assets		
Trade receivables	362,579	256,012
Other receivables		
– Deposits receivables	9,584	5,547
– Others	8,906	6,128
	18,490	11,675
Prepayments to suppliers	18,219	8,843
	18,219	8,843
	399,288	276,530
Included in non-current assets		
Prepayments for property, plant and equipment	19,722	17,885
Prepayments for acquisition of a subsidiary	128,314	–
	547,324	294,415

The following is an ageing analysis of trade receivables presented based on invoice date:

	As at June 30, 2021 *RMB'000* (Unaudited)	As at December 31, 2020 *RMB'000* (Audited)
Within 90 days	232,003	177,974
91 to 180 days	92,559	45,545
181 to 365 days	29,765	29,478
1 to 2 years	6,753	2,393
2 to 3 years	1,499	622
	362,579	256,012

The Group's trade receivables were denominated in RMB.

20 CASH AND CASH EQUIVALENTS

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Cash at bank and in hand	699,119	385,104
	699,119	385,104

Cash and deposits were denominated in the following currencies:

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
RMB	690,718	384,184
USD	8,291	882
HKD	110	38
	699,119	385,104

21 SHARE CAPITAL AND SHARE PREMIUM

	Unaudited			
	Number of shares	**Nominal value of shares** *USD*	**Equivalent nominal value of shares** *RMB'000*	**Share premium** *RMB'000*
Authorised:				
At January 1, 2020, June 30, 2020, January 1, 2021 and June 30, 2021	5,000,000,000	50,000	–	–
Issued and fully paid:				
At January 1, 2021	618,000,000	6,180.0	42	7,123,460
Exercise of employee share scheme	–	–	–	33,494
At June 30, 2021	618,000,000	6,180.0	42	7,156,954
At January 1, 2020	17,241,560	170.1	–	2,731,464
Conversion from redeemable shares into ordinary shares pursuant to IPO	–	–	–	2,107,892
Exercise of employee share scheme	–	2.3	–	62,563
Capitalization issue	462,758,440	4,627.6	33	(33)
Shares issued pursuant to the IPO	120,000,000	1,200.0	8	2,024,247
Share issuance cost	–	–	–	(89,263)
At June 30, 2020	600,000,000	6,000.0	41	6,836,870

22 OTHER RESERVES

	Six months ended June 30,	
	2021 ***RMB'000*** **(Unaudited)**	2020 *RMB'000* (Unaudited)
At the beginning of the period	**(2,747,909)**	(2,680,702)
Exercise of employee share scheme	**(33,494)**	(29,188)
Non-controlling interests arising on exercise of employee share scheme	**–**	(66,634)
Share-based compensation expense	**9**	4,063
At the end of the period	**(2,781,394)**	(2,772,461)

23 BORROWINGS

	As at June 30, 2021 ***RMB'000*** **(Unaudited)**	As at December 31, 2020 *RMB'000* (Audited)
Bank borrowings	**996,935**	–
	996,935	–
Included in non-current liabilities:		
– Long-term bank borrowings-secured	**981,935**	–
Less: current portion	**(12,765)**	–
	969,170	–
Included in current liabilities:		
– Current portion of long-term bank borrowings	**12,765**	–
– Current portion of short-term bank borrowings	**15,000**	–
	27,765	–
Total	**996,935**	–

(a) As at June 30, 2021, the Group's long term bank borrowing was secured by equity pledge of certain subsidiaries of the Group.

The weighted average effective interest rates per annum at the balance sheet dates were set out as follows:

	As at June 30, 2021	As at December 31, 2020
Bank borrowings	**2.56%**	–

(b) The following tables sets forth the ranges of the effective interest rate per annum of our bank borrowings as at the dates indicated:

	As at June 30, 2021	As at December 31, 2020
Fixed-rate bank borrowings	**4.15%**	–
Floating-rate bank borrowings-long term bank borrowing *(i)*	**benchmark interest rate for loan+112 points**	–

(i) The benchmark interest rate was borrowing interest rate announced by London Interbank Offered Rate.

23 BORROWINGS (CONTINUED)

(c) The carrying amounts of the borrowings approximated their fair values as at June 30, 2021 as the impact of discounting of borrowings with fixed interest rates was not significant.

(d) The Group's borrowings were repayable based on scheduled repayment as follows:

	As at June 30, 2021 *RMB'000*
Within 1 year	27,765
Between 1 and 2 years	64,808
Between 2 and 5 years	904,362
	996,935

(e) Compliance with loan covenants

The Group complied with the financial covenants of its borrowing facilities for the six months end June 30, 2021.

24 BUSINESS COMBINATIONS

On April 25, 2021, the Group entered into a share purchase agreement to acquire the entire equity interest in Etern Group Ltd. for a cash consideration of the USD equivalent of RMB1,734,327,000. As of above share purchase agreement signing date, Etern Group Ltd. indirectly holds 98% equity interest in Suzhou Yongding Hospital, a private for-profit Class II general hospital in Suzhou City, Jiangsu Province, the PRC. Details of the acquisition are set out in the Company's circular dated May 14, 2021.

The acquisition was completed on April 28, 2021, and after the acquisition, Etern Group Ltd. became a direct wholly-owned subsidiary of the Company and Suzhou Yongding Hospital became an indirect non-wholly-owned subsidiary of the Company, and the financial results of them were consolidated into the financial statements of the Group.

24 BUSINESS COMBINATIONS (CONTINUED)

The fair values of the identifiable assets and liabilities of the Etern Group Ltd. and its subsidiaries as at the date of acquisitions are set out as follows:

	At date of acquisition Fair value *RMB'000*
Property, plant and equipment	374,281
Intangible assets	45,939
Inventories	21,250
Trade, other receivables and prepayments	20,630
Cash and cash equivalents	113,308
Deferred income tax liabilities	(35,499)
Deferred revenue	(195)
Trade and other payables	(151,228)
Contract liabilities	(10,114)
Current income tax liabilities	(4,287)
Lease liabilities	(240)
Borrowings	(85,000)
Fair value of net identifiable assets	288,845
Non-controlling interests	(3,574)
Goodwill	1,449,056
Total purchase consideration	1,734,327
Total purchase consideration comprises:	
Cash paid during the period ended June 30, 2021	1,699,640
Other payable	34,687

The goodwill is attributable to Etern Group Ltd.'s strong position and profitability in the hospital business and synergies expected to arise after the Company's acquisition. It has been allocated to the Hospital Business segment. None of the goodwill is expected to be deductible for tax purposes.

(i) Acquisition related cost

Acquisition-related costs of RMB4,182,000 are included in administrative expenses in profit or loss, in which for the year ended December 31, 2020 and the six months ended June 30, 2021 are RMB1,250,000 and RMB2,932,000 respectively.

(ii) Revenue and profit contribution

The acquired business contributed revenue of RMB92,154,000 and net profit of RMB18,330,000 to the group for the period from April 28, 2021 to June 30, 2021. If the acquisition had occurred on January 1, 2021, consolidated revenue and consolidated profit after tax for the six months ended June 30, 2021 would have been RMB221,036,000 and RMB13,613,000 respectively.

25 DEFERRED REVENUE

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Government grants	**34,776**	26,690
To be realised within 12 months	**1,510**	719
To be realised after more than 12 months	**33,266**	25,971
Total	**34,776**	26,690

The deferred revenue mainly represented the government grants obtained to assist the construction costs of the Group's hospitals. The deferred revenue is recognized in the consolidated statement of comprehensive income within the useful lives of the assets to match the depreciation expense of the relevant assets after completion.

26 LEASE LIABILITIES

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Minimum lease payments due		
– Within 1 year	**1,100**	1,774
– Between 1 and 2 years	**426**	426
– Between 2 and 5 years	**213**	426
	1,739	2,626
Less: future finance charges	**(82)**	(142)
Present value of lease liabilities	**1,657**	2,484
– Within 1 year	**1,043**	1,677
– Between 1 and 2 years	**404**	391
– Between 2 and 5 years	**210**	416
	1,657	2,484

27 OTHER NON-CURRENT LIABILITIES

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Provision for asset retirement obligations	8,090	7,880
	8,090	7,880

28 TRADE AND OTHER PAYABLES

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Trade payables *(a)*	199,457	118,452
Salaries payable	132,396	61,357
Payables of considerations for acquisition of subsidiaries	35,407	720
Deposits payable	3,665	4,080
Other taxes payable	11,236	9,587
Payable of surcharge for tax overdue payment	8,247	7,578
Payables for construction projects	42,150	15,515
Prepayments received for radiotherapy equipment licensing	9,812	10,659
Dividend payable *(Note 30)*	74,081	–
Payables for intangible assets acquisition	–	206
Others	25,176	9,114
	541,627	237,268

(a) The credit period granted by suppliers mainly ranges from 30 to 90 days. The following is an aging analysis of trade payables presented based on the invoice date:

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
0 to 90 days	164,897	100,135
91 to 180 days	13,765	8,253
181 to 365 days	10,129	2,783
Over 1 year	10,666	7,281
	199,457	118,452

29 CONTRACT LIABILITIES

The Group has recognized the following revenue-related contract liabilities:

	As at June 30, 2021 *RMB'000* (Unaudited)	As at December 31, 2020 *RMB'000* (Audited)
Hospital Business		
– Outpatient healthcare services	3,652	3,344
– Inpatient healthcare services	17,567	7,957
Radiotherapy Business		
– Radiotherapy equipment maintenance service	1,959	155
	23,178	11,456

30 DIVIDENDS

During the six months ended June 30, 2021, a final dividend of RMB0.12 per share for the year ended December 31, 2020 was declared to owners of the Company. The aggregate amount of the final dividend declared in the interim period amounted to RMB74,081,000 (six months ended June 30, 2020: nil).

31 RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

Related parties are those parties that have the ability to control, jointly control or exercise significant influence over the other party in holding power over the investee; exposure or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

Save as disclosed elsewhere in this report, the directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the period:

Name of related parties	Relationship with the Group
Mr. Zhu	Controlling shareholder
Ji Hairong (季海榮)	Spouse of Mr. Zhu
Ms. Zhu	Daughter of Mr. Zhu
Shanghai Rongqiao Biotechnology Co., Ltd. (上海榮喬生物科技有限公司)	Ultimately controlled by Ji Hairong
Kaiyuan Jiehua Hospital (開遠解化醫院)	Certain employees or directors of the Group are Kaiyuan Jiehua Hospital's internal governance body members
Handan Renhe Hospital (邯鄲仁和醫院)	Certain employees or directors of the Group are Handan Renhe Hospital's internal governance body members

31 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management compensation

Key management includes directors and the senior management of the Group.

The compensation paid or payable to key management for employee services is shown below:

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries, wages and bonus	**1,763**	1,630
Employer's contribution to retirement benefit plan	**134**	23
Allowances and benefits in kind	**136**	82
Share-based compensation expenses	**–**	3,388
	2,033	5,123

(c) Transactions with related parties

During the period, the following is a summary of the significant transactions carried out between the Group and its related parties.

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Recurring transactions		
Radiotherapy Business Revenue		
– Handan Renhe Hospital	**3,545**	6,640
– Kaiyuan Jiehua Hospital	**6,281**	6,272
Hospital Management Business Revenue		
– Handan Renhe Hospital	**1,243**	1,121
– Kaiyuan Jiehua Hospital	**2,673**	2,390
Depreciation on right-of-use assets and interest expenses on lease liabilities		
– Ms. Zhu	**470**	499
– Shanghai Rongqiao Biotechnology Co., Ltd.	**393**	183

Transactions with related companies are determined based on terms mutually agreed between the relevant parties.

31 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Balances with related parties

	As at June 30, 2021 ***RMB'000*** **(Unaudited)**	As at December 31, 2020 *RMB'000* (Audited)
Amounts due from related parties		
Trade		
– Handan Renhe Hospital	**12,025**	8,949
– Kaiyuan Jiehua Hospital	**8,586**	3,806
– Shanghai Rongqiao Biotechnology Co., Ltd.	**–**	69
	20,611	12,824

As at December 31, 2020 and June 30, 2021, the balances were unsecured, interest-free, and collectable on demand and are denominated in RMB.

	As at June 30, 2021 ***RMB'000*** **(Unaudited)**	As at December 31, 2020 *RMB'000* (Audited)
Amounts due to related parties		
Lease liabilities to		
– Ms. Zhu	**485**	–
– Shanghai Rongqiao Biotechnology Co., Ltd.	**1,172**	–

As at December 31, 2020 and June 30, 2021, the balances were unsecured, interest-free, and repayable on demand and are denominated in RMB.

32 CAPITAL COMMITMENTS

The Group's capital expenditure contracted for at the end of the period but not yet incurred is as follows:

	As at June 30, 2021 ***RMB'000*** **(Unaudited)**	As at December 31, 2020 *RMB'000* (Audited)
Property, plant and equipment	**438,543**	213,631
Intangible assets	**610**	539
	439,153	214,170

33 CONTINGENT LIABILITIES

As at June 30,2021, the Group did not have any material contingent liabilities.

34 SUBSEQUENT EVENTS

The Group has the following events taken place subsequent to June 30, 2021:

- Kaiyuan Jiehua Hospital (開遠解化醫院), a not-for-profit hospital founded by the Group, conducted a for-profit reform to transform from a not-for-profit hospital to a for-profit hospital in May 2021. Kaiyuan Jiehua Hospital Co., Ltd. was duly incorporated on May 31, 2021 and started to operate the for-profit hospital since then. Gamma Star Tech and Kaiyuan Jiehua Hospital entered into the termination agreements on May 31, 2021, to terminate the Hospital Management Business and Radiotherapy Business. Accordingly, the carrying amount of contractual rights to provide management services has been recognized as the consideration to acquire the shareholding of Kaiyuan Jiehua Hospital Co., Ltd. Up to the date of issuance of the condensed consolidation financial statements, the deregistration of Kaiyuan Jiehua Hospital has not been completed. Details of the for-profit reform of Kaiyuan Jiehua Hospital are set out in the Company's announcement dated April 16, 2021 and May 31, 2021.

- On May 26, 2021, the Group entered into an equity transfer agreement to acquire an aggregate of 99% equity interests in Hezhou Guangji Hospital for a maximum consideration of RMB641,570,000. By the end of June 30, 2021, the Group has made payment of RMB128,314,000. On July 9, 2021, the Group has made an additional payment of RMB384,942,000. The transaction was completed in July 2021. Details of the acquisition are set out in the Company's circular dated June 25, 2021.

- On June 24, 2021, the Group entered into an equity transfer agreement to purchase an aggregate of approximately 17.62% equity interest in Shanxian Hygeia Hospital Co., Ltd. ("Shanxian Hygeia Hospital"), a subsidiary of the Group, at a cash consideration of RMB254,274,000. The transaction is completed in July 2021. After the completion, the Company will indirectly hold an aggregate of 99.18% equity interest in Shanxian Hygeia Hospital and the vendors, including Heze Development Area Medical Information Technology Service (Limited Partnership) (菏澤開發區衛健醫療資訊技術服務中心(有限合夥)), Heze Jixiangkangda Medical Information Technology Service (Limited Partnership) (菏澤市吉祥康達醫療服務中心(有限合夥)) and Heze Haiyuekangjian Medical Information Technology Service (Limited Partnership) (菏澤市海悦康健醫療服務中心(有限合夥)), collectively will hold the remaining 0.82% equity interest in Shanxian Hygeia Hospital. Therefore, Shanxian Hygeia Hospital continued to be a non-wholly-owned subsidiary of the Company, and its financial results continued to be consolidated into the financial statements of the Group.

Definitions and Glossaries

In this report, the following expressions have the meanings set out below unless the context otherwise requires:

"Amber Tree"	Amber Tree Holdings Limited, a BVI business company incorporated under the laws of the BVI on August 31, 2018 and indirectly wholly-owned by Ms. Zhu, one of the Controlling Shareholders of the Company
"Anqiu Hygeia Hospital"	Anqiu Hygeia Hospital Co., Ltd. (安丘海吉亞醫院有限公司) (formerly known as Anqiu Development District Hospital Co., Ltd. (安丘市開發區醫院有限公司)), a limited liability company established in the PRC on January 28, 2008 and a subsidiary of our Company
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors of the Company
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Century River"	Century River Holdings Limited, a BVI business company incorporated under the laws of BVI on August 31, 2018 and indirectly wholly-owned by Mr. Zhu, one of the Controlling Shareholders of the Company
"Century River Investment"	Century River Investment Holdings Limited, a BVI business company incorporated under the laws of BVI on April 16, 2019 and directly wholly-owned by Mr. Zhu, one of the Controlling Shareholders of the Company
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	the Chairman of the Board
"Changshu Hygeia Hospital"	Changshou Hygeia Hospital Co., Ltd. (常熟海吉亞醫院有限公司), a limited liability company established in the PRC on June 29, 2021 and a subsidiary of the Company
"Chengwu Hygeia Hospital"	Chengwu Hygeia Hospital Co., Ltd. (成武海吉亞醫院有限公司) (formerly known as Chengwuxian Tonghui Hospital Co., Ltd. (成武縣同慧醫院有限公司)), a limited liability company established in the PRC on November 25, 2016 and a subsidiary of the Company
"Class II" or "Class II hospitals"	the regional hospitals designated as Class II hospitals by the NHFPC hospital classification system, typically having 100 to 500 beds, providing multiple communities with integrated healthcare services and undertaking certain academic and scientific research missions
"Class III" or "Class III hospitals"	the regional hospitals in China designated as Class-III hospitals by the NHFPC hospital classification system, typically having more than 500 beds, as for a comprehensive hospital providing high-quality professional healthcare services covering a wide geographic area and undertaking higher academic and scientific research initiatives

"China" or the "PRC"	the People's Republic of China, but for the purpose of this report and for geographical reference only, references herein to "China" and the "PRC" do not apply to Hong Kong, Macau and Taiwan
"Chongqing Hygeia Hospital"	Chongqing Hygeia Cancer Hospital Co., Ltd. (重慶海吉亞腫瘤醫院有限公司) (formerly known as Chongqing Hygeia Hospital Management Co., Ltd. (重慶海吉亞醫院管理有限公司)), a limited liability company established in the PRC on November 9, 2015 and a subsidiary of the Company
"Company", "the Company" or "Hygeia Healthcare"	Hygeia Healthcare Holdings Co., Limited (海吉亞醫療控股有限公司), an exempted company with limited liability incorporated under the laws of Cayman Islands on September 12, 2018, the Shares of which are listed on the Main Board of the Hong Kong Stock Exchange
"Controlling Shareholders"	has the meaning ascribed thereto under the Listing Rules and, unless the context otherwise requires, refers to Mr. Zhu, Ms. Zhu, Century River Investment, Century River, Red Palm Investment, Red Palm and Amber Tree
"COVID-19"	Novel coronavirus pneumonia
"Dezhou Hygeia Hospital"	Dezhou Hygeia Hospital Co., Ltd. (德州海吉亞醫院有限公司), a limited liability company established in the PRC on March 11, 2021 and a subsidiary of the Company
"Director(s)"	director(s) of the Company
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, an Independent Third Party
"Gamma Star Tech"	Shanghai Gamma Star Technology Development Co., Ltd. (上海伽瑪星科技發展有限公司), a limited liability company established in the PRC on May 20, 2004 and a subsidiary of the Company
"GFA"	gross floor area
"Global Offering"	has the meaning ascribed to it in the Prospectus
"Group", "the Group", "we" or "us"	the Company together with its subsidiaries
"Handan Renhe Hospital"	Handan Renhe Hospital (邯鄲仁和醫院), a private not-for-profit hospital established under the laws of the PRC which the Group acquired on July 31, 2011 and one of the Managed Hospitals
"Handan Zhaotian Hospital"	Handan Zhaotian Orthopedics Hospital (邯鄲兆田骨科醫院), a private not-for-profit hospital established under the laws of the PRC which the Group acquired on August 27, 2015 and one of the Managed Hospitals
"Heze Hygeia Hospital"	Heze Hygeia Hospital Co., Ltd. (菏澤海吉亞醫院有限公司), a limited liability company established in the PRC on January 23, 2013 and a subsidiary of the Company

Definitions and Glossaries

"Hezhou Guangji Hospital"	Hezhou Guangji Hospital Co., Ltd. (賀州廣濟醫院有限公司), a limited liability company incorporated under the laws of the PRC on March 4, 2020 and a subsidiary of the Company
"HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hygeia Hospital Management"	Hygeia (Shanghai) Hospital Management Co., Ltd. (海吉亞(上海)醫院管理有限公司), a limited liability company established in the PRC on March 6, 2019, wholly-owned by Xiangshang Investment and a subsidiary of our Company by virtue of the contractual arrangements
"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the Listing Rules) with any directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
"Kaiyuan Jiehua Hospital"	Kaiyuan Jiehua Hospital (開遠解化醫院), a non-profit private hospital established under the laws of the PRC and acquired by the Group on November 12, 2012, which entered into the Termination Agreements with Gamma Star Tech on May 31, 2021
"Kaiyuan Jiehua Hospital Co., Ltd."	Kaiyuan Jiehua Hospital Co., Ltd. (開遠解化醫院有限公司), a limited liability company established in the PRC on May 31, 2021 and a subsidiary of the Company
"Liaocheng Hygeia Hospital"	Liaocheng Hygeia Hospital Co., Ltd. (聊城海吉亞醫院有限公司), a limited liability company established in the PRC on June 20, 2019 and a subsidiary of the Company
"Listing"	the listing of the Shares on the Main Board
"Listing Date"	the date, namely June 29, 2020, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Longyan Boai Hospital"	Longyan Boai Hospital Co., Ltd. (龍岩市博愛醫院有限公司), a limited liability company established in the PRC on October 30, 2002 and a subsidiary of the Company
"Longyan Hygeia Hospital"	Longyan Hygeia Hospital Co., Ltd. (龍岩海吉亞醫院有限公司), a limited liability company established in the PRC on June 7, 2021 and a subsidiary of the Company

"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market (GEM) of the Stock Exchange
"Managed Hospitals"	Handan Renhe Hospital and Handan Zhaotian Hospital
"Model Code"	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"MRI"	magnetic resonance imaging, a type of scan that uses strong magnetic fields and radio waves to produce detailed images of the inside of the body
"Mr. Zhu"	Mr. Zhu Yiwen (朱義文), father of Ms. Zhu, the founder of the Group, an executive Director, Chairman, Chief Executive Officer and one of the Controlling Shareholders
"Ms. Zhu"	Ms. Zhu Jianqiao (朱劍喬), daughter of Mr. Zhu and one of the Controlling Shareholders
"Net Proceeds"	net proceeds from the Global Offering, amounting to approximately HK$2,391.9 million
"NHFPC"	National Health and Family Planning Commission of the PRC (中華人民共和國國家衛生和計劃生育委員會), currently known as National Health Commission of the PRC (中華人民共和國國家衛生健康委員會)
"oncology"	the branch of medicine that deals with cancer
"Prospectus"	the prospectus of the Company published on June 16, 2020
"public medical insurance programs"	primarily include the Urban Employee Basic Medical Insurance Scheme (城鎮職工基本醫療保險制度), the Urban Resident Basic Medical Insurance Scheme (城鎮居民基本醫療保險制度) and the New Rural Cooperative Medical Insurance Scheme (新型農村合作醫療保險制度)
"radiotherapy"	a treatment that uses high energy to kill malignant cancer cells or other benign tumor cells
"Radiotherapy Center Services"	the services the Group provides to certain hospital partners in connection with their radiotherapy centers, which are primarily composed of (i) provision of radiotherapy center consulting services; (ii) licensing of the Group's proprietary SRT equipment for use in the radiotherapy centers; and (iii) provision of maintenance and technical support services in relation to the Group's proprietary SRT equipment
"Red Palm"	Red Palm Holdings Limited, a BVI business company incorporated under the laws of BVI on August 31, 2018 and indirectly wholly-owned by Ms. Zhu, one of the Controlling Shareholders
"Red Palm Investment"	Red Palm Investment Holdings Limited, a BVI business company incorporated under the laws of BVI on April 16, 2019 and directly wholly-owned by Ms. Zhu, one of the Controlling Shareholders

Definitions and Glossaries

"Reporting Period"	from January 1, 2021 to June 30, 2021
"RMB" or "Renminbi"	the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
"Shanxian Hygeia Hospital"	Shanxian Hygeia Hospital Co., Ltd. (單縣海吉亞醫院有限公司) (formerly known as Shanxian Hygeia Hospital Investment Co., Ltd. (單縣海吉亞醫院投資有限公司)), a limited liability company established in the PRC on November 20, 2012 and a subsidiary of the Company
"Share(s)"	ordinary share(s) in the share capital of the Company with nominal value of US$0.00001
"Shareholder(s)"	holder(s) of the Shares
"SRT"	stereotactic radiotherapy, namely, a type of external beam radiotherapy that uses special equipment to stereoscopically position the lesion and precisely deliver high doses of radiation to the tumor through short course of treatment
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Suzhou Canglang Hospital"	Suzhou Canglang Hospital Co., Ltd. (蘇州滄浪醫院有限公司), a limited liability company established in the PRC on March 23, 2015 and a subsidiary of the Company
"Suzhou Yongding Hospital"	Suzhou Yongding Hospital Co., Ltd. (蘇州永鼎醫院有限公司), a for-profit class II general hospital in Suzhou and a subsidiary of the Company
"VIE Hospitals"	collectively, Shanxian Hygeia Hospital, Heze Hygeia Hospital, Suzhou Canglang Hospital, Chongqing Hygeia Hospital, Longyan Boai Hospital, Chengwu Hygeia Hospital, Anqiu Hygeia Hospital, Liaocheng Hygeia Hospital, Dezhou Hygeia Hospital, Wuxi Hygeia Hospital, Longyan Hygeia Hospital, and Changshu Hygeia Hospital
"Wuxi Hygeia Hospital"	Wuxi Hygeia Hospital Co., Ltd. (無錫海吉亞醫院有限公司), a limited liability company established in the PRC on July 22, 2020 and a subsidiary of the Company
"Xiangshang Investment"	Shanghai Xiangshang Investment Development Co., Ltd. (上海向上投資發展有限公司), a limited liability company established in the PRC on September 1, 2015 and owned by Mr. Zhu and Ms. Zhu as to 40% and 60%, respectively